Cominco Ltd., Annual Report 1981

Cominco Ltd.

Summary of Business Activities and Corporate Objectives

Cominco Ltd. is an integrated natural resource company with principal activities in mineral exploration, mining, smelting and refining. It is the world's largest mine producer of zinc and of lead, accounting for 9.4 and 10.2 per cent, respectively, of western world mine production.

Cominco is western Canada's third largest chemical fertilizer producer, supplying about 20 per cent of the western Canadian market and 11 per cent of the market in the upper mid-west of the United States. Principal chemical and fertilizer products are ammonia, urea, potash, ammonium nitrate, ammonium phosphate, ammonium sulphate, sulphuric acid, and sulphur dioxide.

Cominco also produces silver, gold, copper, tin, tungsten, cadmium, bismuth, indium, diamonds, coal, oil, natural gas, steel products, fabricated metals, high purity metals and components for the electronic and other high technology industries.

Cominco's primary objective remains long-term, steady growth. To accomplish this, it seeks to strengthen its position in zinc and in lead, and to expand its activities in other non-ferrous metals and in chemicals and fertilizers. Cominco is also endeavouring to broaden its markets and its products (such as germanium and gallium) and its geographic base.

In managing the growth of its business, Cominco continues to seek high standards of production efficiency, and to provide customer satisfaction and reward employee energy and initiative. Emphasis is placed on health, safety, and protection of the environment.

The Company and its subsidiaries have 12,600 employees.

Cover:

Arvik II, the barge-mounted zinc and lead processing plant for Cominco's new Polaris Mine, is shown on the St. Lawrence River at the beginning of its dramatic 4,800 kilometer voyage to the mine site on Little Cornwallis Island in the Canadian High Arctic.

Polaris, the world's most northerly metal mine, confirms Cominco's leadership in the mineral development of the north.

The barge was placed in its permanent berth on shore on August 15, 1981, after a 20-day voyage (see route on map, page 7). Processing of zinc and lead ore started in November. Shipment of concentrates from Polaris to smelters will take place in the brief summer shipping season each year.

The barge arriving at LCI, 1440 kilometers from the North Pole

Highlights of 1981

(All dollar amounts in millions except per share figures)

		1981	1980
Financial	Net earnings	$ 70.3	$ 171.1
	— per common share	$ 3.35	$ 9.54
	Dividends on common shares	$ 75.2	$ 75.2
	— per common share	$ 4.10	$ 4.40
	Return on common shareholders' equity	9.3%	26.2%
	Capital expenditures	$ 333.7	$ 280.3
Production and sales	Production of concentrates in tons *(tonnes)*		
	zinc	567,600 *(515,000)*	593,900 *(538,700)*
	lead	325,700 *(295,500)*	303,700 *(275,600)*
	copper	70,400 *(63,900)*	79,000 *(71,700)*
	Sales of zinc and lead in tons *(tonnes)* (includes metal content of concentrates sold)	612,000 *(555,300)*	605,100 *(548,800)*
	Production of chemicals and fertilizers in tons *(tonnes)*	2,953,000 *(2,678,000)*	2,787,000 *(2,528,000)*
	Sales of chemicals and fertilizers in tons *(tonnes)*	2,715,000 *(2,463,000)*	2,832,000 *(2,569,000)*

Contents

Summary of Business Activities and Corporate Objectives	Inside Front Cover
Highlights of 1981	1
Report of the Directors to the Shareholders	2
The Year in Review	5
Management's Statement on Financial Reporting	19
Auditors' Report	19
Consolidated Financial Statements	20
Five-Year Financial Summary	28
Principal Offices	29
Principal Subsidiaries and Associated Companies	30
Shareholder Information	31
Directors and Officers	32

Terms used

In this report, all dollar amounts are Canadian unless otherwise noted.
All tons are short tons, with metric tonnes adjacent in italics and in parentheses.
A tonne is 1,000 kilograms, or 2,204.6 pounds.

Annual Meeting

The Annual General Meeting of Cominco Ltd. will be held on Thursday, April 22, 1982 at 11:00 a.m., in the Park Ballroom, Four Seasons Hotel, Vancouver, B.C.

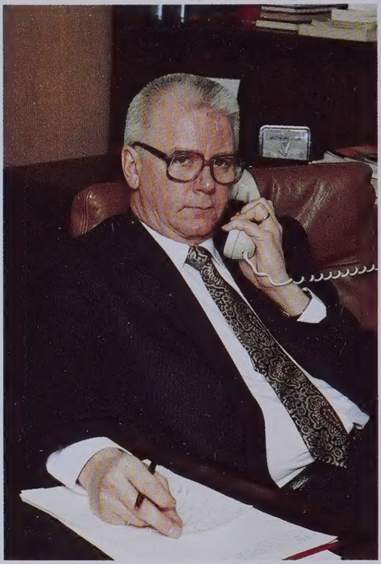
Report of the Directors to the Shareholders

Although 1981 was a difficult year for Cominco, there were a number of achievements. Highlights included record high production and sales of chemicals and fertilizers, record refined zinc production at Trail, and the completion of the Polaris Mine.

Consolidated net earnings declined from $171.1 million in 1980 to $70.3 million in 1981. Earnings per common share were $3.35 in 1981 after reflecting a 10 per cent dilution through the issue of additional common shares during the year. Earnings per common share were $9.54 in 1980. Dividends of $83.7 million were paid to shareholders: $2.00 a share on Series A Preferred Shares; $2.29 a share on Series C Preferred Shares; and $4.10 a share on Common Shares.

The recession in western countries affected Cominco's earnings performance in 1981. Record high interest rates and inflation were and continue to be costly, resulting in reduced demand for consumer and capital goods. Reduced consumption in the western world for Cominco's principal metal products led to lower prices. Lead, silver and gold prices were extremely low in 1981 compared to 1980 while, considering the state of the economy, zinc showed considerable strength. In contrast to the generally poor performance of metals, improved prices of chemicals and fertilizers contributed substantially to earnings. Fueled by inflation, costs for labour, supplies, raw materials and taxes increased significantly.

In 1981, the innovative Polaris Mine project symbolized our continued pioneering spirit and undiminished hopes for the future.



M. N. Anderson
Chairman and
Chief Executive Officer

At Trail and at Kimberley the important modernization program initiated in 1977 continued and expenditures reached $275.3 million by the end of the year. The first commercial zinc pressure leach facility in the world and a new effluent treatment plant became operational in 1981. By year-end 44 of the 528 cells in the new zinc electrolytic and melting plant were operational, and completion is scheduled for the end of 1982. Construction is underway on projects to upgrade sulphur gas handling systems, to modernize the in-plant electric power distribution system, and to introduce a process to remove fluorine and chlorine from zinc fume. A project to modernize the sulphide leaching plant was approved late in the year, and construction will commence in 1982.

During the year Cominco increased its copper investment in British Columbia. Through share purchases, Bethlehem Copper Corporation and Valley Copper Mines Limited (N.P.L.) became wholly-owned subsidiaries. Work is advancing on a program to assess the future development of the Lake Zone copper deposit in the Highland Valley owned by these companies. The current depressed price for copper is of concern when considering this project.

Exploration continued to be a rewarding investment. One of the highlights of the 1981 exploration program culminated with the announcement on February 5, 1982 of an agreement between Cominco American Incorporated and NANA Regional Corporation, Inc., an Alaskan native corporation, to proceed with the evaluation and potential development of a large, high-grade zinc-lead-silver deposit in northwestern Alaska estimated to contain 85 million tons of 17.1 per cent zinc, 5.0 per cent lead and 2.4 oz. of silver per ton.

During 1981, our 75th anniversary, considerable attention was focused on the growth and progress of Cominco since its inception in 1906. This event was celebrated in a variety of ways, including sponsorship of performances by the Vancouver Symphony Orchestra in Trail, Calgary and Yellowknife. This sponsorship resulted in a major national award to Cominco for community involvement in the arts.

Senior appointments during the year were Mr. A. V. Marcolin, President, Electronic Materials Division; Mr. J. E. Fletcher, Vice-President, B.C. Group; and Mr. H. M. Giegerich, Vice-President, Northern Group.

On behalf of the Directors and Officers, I wish to express appreciation in this report of our 75th anniversary year to all past and present employees for their contribution in helping to build Cominco.

M. N. Anderson
Chairman and Chief Executive Officer
March 17, 1982

At Trail, B.C., the zinc electrolytic and melting plant will be completed in 1982

Red Dog, a large zinc, lead, silver deposit, is 144 kilometers north of Kotzebue in northwestern Alaska

The Year in Review

Revenue and Earnings

Earnings were $70.3 million in 1981 down from $171.1 million in 1980 as shown in the Consolidated Statement of Earnings on page 21.

Revenue from the sale of products and services decreased slightly in 1981 to $1,416.9 million from $1,442.7 million in 1980. Lower prices accounted for $16.0 million of the decrease and lower volumes accounted for $10.0 million. Both sales prices and volumes of most mining and metal products were much lower than in 1980, but this sharp decline was partially offset by significant improvements in chemical and fertilizer revenues.

In addition to reduced sales revenues, earnings were also affected by higher costs of products and services sold. Labour, distribution, supplies and energy costs were up in all industry segments. Also affecting earnings was a $26.5 million increase in long-term debt interest expense principally on borrowings incurred to finance the acquisition of Bethlehem Copper and Valley Copper shares. Borrowing costs associated with the financing of the Polaris Mine are being capitalized and are included as a part of the cost of the project until the first year's production is shipped to market.

The commissioning of new plants during 1981 accounted for a $9.7 million increase in depreciation expense to $83.6 million for the year. While the effective rate of income and resource taxes remained substantially unchanged, tax expense was down significantly in line with reduced earnings.

Equity in net earnings of associated companies declined in 1981 from $13.9 million to $3.8 million. Contributions to earnings by these companies are explained in the section on "Associated Companies" on pages 14 - 15.

Earnings for 1981 included a $4.8 million loss on the translation of accounts of foreign subsidiaries, reflecting a weakening of some currencies against the Canadian dollar, principally the Danish Krone.

During the year Cominco sold its 78 per cent share investment in Pacific Coast Terminals Co. Ltd. for $12.5 million. The resulting $5.6 million gain is reflected in the Consolidated Statement of Earnings as an extraordinary item.

Earnings have been restated to reflect a change in Cominco's method of valuing some inventories at Cominco American Incorporated to conform to the general practice of the Company. The change was adopted retroactively and increased 1981 income by $2.0 million and 1980 income by $1.8 million. A further $2.8 million of earnings relating to the period prior to 1980 has been reflected in earnings reinvested in the business on the Consolidated Balance Sheet.

Liquidity and Capital Resources

The Consolidated Statement of Changes in Financial Position on page 23 shows funds generated of $572.6 million, $60.4 million above 1980. Funds provided from Cominco's consolidated operations in 1981 were $201.3 million, considerably below 1980 as a result of the much reduced level of earnings. New capital funds raised during the year included $253.4 million through additional long-term debt and $99.4 million through a rights issue to subscribe for common shares. Principal borrowings during 1981 were $139.0 million to finance the acquisition of all Bethlehem Copper and Valley Copper shares not owned by Cominco and $101.0 million to finance the Polaris Mine.

Funds applied during 1981 were $604.3 million; up $140.6 million from 1980. Capital expenditures were $333.7 million comprising $265.3 million for land, buildings and equipment and $68.4 million for mineral properties and development. Expenditures for land, buildings and equipment included $83.2 million for the Polaris Mine, $79.6 million for Trail modernization and expansion and $15.7 million to increase production capacity at the Saskatchewan potash mine. Expenditures for mineral properties and development included $11.0 million for the acquisition of a soda ash property in California, $9.5 million for development at the Polaris Mine and $5.3 million for increased exploration expenditures in Alaska. Share purchases of Bethlehem Copper and Valley Copper during the year amounted to $133.5 million. Of this amount $94.7 million has been allocated on the Consolidated Balance Sheet to mineral properties and development. The investment in associated companies of $12.8 million was principally the subscription to a rights issue for common shares of Aberfoyle Limited. Dividends to common shareholders of Cominco were $75.2 million, to preferred shareholders of Cominco $8.5 million and to minority shareholders of subsidiary companies $14.4 million, for a total of $98.1 million.

W. G. Wilson
President

As a result of these changes in financial position, working capital decreased $31.7 million during 1981 and stood at $292.0 million at year-end. Metal and concentrate inventories were in balance with demand for those products. Potash inventories were somewhat above normal at year-end while other fertilizer product inventories were at normal levels. Stores inventories increased by $23.2 million during the year reflecting chiefly the preparation for operations at the Polaris Mine. Bank loans and notes payable increased by $58.3 million to $140.0 million at year-end. Lines of credit available to the Company approximate $250.0 million.

Payments required on long-term debt will be $11.5 million during 1982. Repayments on long-term debt for 1983 are indicated in the Notes to Consolidated Financial Statements at $83.7 million. Of this amount, $36.1 million represents borrowings of West Kootenay Power and Light Company, Limited which continue to be rolled forward on a year-to-year basis until determination of pending applications before the British Columbia Utilities Commission, following which these borrowings will be refinanced on a longer term basis.

Operations

The operations of Cominco Ltd. and its subsidiaries are divided into three industry segments as follows:

1 Mining and integrated metals*, comprising principally the mining, processing, smelting and refining of zinc, lead, copper, silver and gold;*

2 Chemicals and fertilizers*, comprising principally the production of sulphuric acid, potash, ammonia, urea, phosphates and nitrates;*

3 Other operations*, comprising principally fabricated metal products and electric power distribution.*

The revenues and operating profits of each segment are shown in Note 13 of the Notes to Consolidated Financial Statements. Operating profits are before providing for unallocated costs and expenses, including interest expense and income and resource taxes.

Mining and Integrated Metals

Revenues and Operating Profit

	Revenues		Operating Profit (Loss)	
	1981	1980	1981	1980
		(millions)		
Sullivan Mine	$118	$135	$ 44	$ 68
Pine Point Mine	126	107	29	41
Black Angel Mine	74	76	23	25
Magmont Mine	31	46	13	28
Con Mine	40	55	12	33
Jersey Mine[1]	32	12	(4)	—
Trail	349	452	(24)	31
Nonproducing mines and properties	—	—	(21)	(16)
	$770	$883	$ 72	$210
First Quarter			$ 21	$ 87
Second Quarter			25	25
Third Quarter			21	47
Fourth Quarter			5	51
			$ 72	$210

[1] *Revenues from Jersey Mine in 1981 reflect the full year's operations compared with only two months in 1980, from the date of acquisition of control*

The Sullivan Mine at Kimberley, B.C., and the Pine Point Mine, in the Northwest Territories of Canada, remain the chief sources of supply of zinc and lead concentrates to the metallurgical operations at Trail, B.C. Other mines operated by the Company and its subsidiaries are the Black Angel Mine, Greenland, (zinc, lead, silver); the Magmont Mine, Missouri, (lead, zinc, copper); the Con Mine, N.W.T., (gold); and the Jersey Mine, B.C., (copper). The Polaris Mine, N.W.T., (zinc, lead) was in the start-up phase by year-end.

At Trail, B.C. the Company operates an integrated smelter and refining complex producing various refined metal products, principally zinc, lead and silver.

Revenues from mining and integrated metals decreased from $883 million in 1980 to $770 million in 1981. After considering sales to other industry segments, lower prices accounted for $72 million and lower sales volumes accounted for $46 million. Lower costs of purchased concentrates for the Trail metallurgical operations were offset by higher costs in all operations for labour, supplies, energy and taxes. Operating profit declined sharply during 1981, as a result of the reduced sales revenues and higher operating costs.

Demand for zinc, lead and copper was generally good in the first half of 1981, but began weakening in the second half. The main causes for the weak metal markets were the depressed conditions in the construction and automotive industries and high interest rates. Customers reduced new orders and consumed stocks to reduce inventories. As a result, consumption of zinc and of lead in the western world decreased approximately 2.3 per cent and 3 per cent respectively in 1981. Copper consumption also declined slightly in 1981.

During the year the U.S. producer price for zinc increased from the average level which had prevailed in 1979 (US$.36) and 1980 (US$.37), to an average of US$.45 a pound. However, the producer price weakened from a high of US$.49 in August to US$.44 a pound by year-end.

The monthly average price quoted for lead on the London Metal Exchange, converted to U.S. dollars, increased from US$.32 a pound at the beginning of 1981 to a high of US$.37 a pound in August. The average price for the year was US$.33, significantly below the 1980 average price of US$.41. At year-end the price had declined to US$.31 a pound.

The average price quoted for copper on the London Metal Exchange for the year was US$.80 compared to US$.99 in 1980.

The 1981 average gold price on the London market was US$460 an ounce, down from US$613 in 1980. The drop in silver prices was even more severe, from an average price of US$21 an ounce in 1980 to US$10.50 in 1981.

The zinc concentrate market was strong throughout the year, but lead concentrate sales weakened in the second half. Cominco sold 154,000 tons *(139,700)* of zinc concentrate, and 126,700 tons *(114,900)* of lead concentrate. At year-end inventories of both zinc and lead concentrates were low.

Copper concentrate sold in the year was 59,400 tons *(53,900)* containing 19,000 tons of copper.

Cominco sold 276,600 tons *(250,900)* of refined zinc in 1981, compared to 284,500 tons *(258,100)* in 1980. Refined lead sales totalled 151,600 tons *(137,500)* compared to 159,200 tons *(144,400)* last year. Inventories of refined zinc and lead were at near normal levels at year-end.

Sales of gold were 95,500 ounces *(2,970 kilograms)*, down from 121,500 ounces *(3,779 kilograms)* in 1980. Cominco sold 7,635,000 ounces *(237,449 kilograms)* of silver, compared to 8,491,000 ounces *(264,070 kilograms)* in 1980. The sales volume was down because of a lower grade of silver in concentrate treated at the smelter, and diversion of silver for the manufacture of anodes for the new electrolytic and melting plant at Trail, B.C. Silver will be available for sale as the anodes from the old electrolytic plant are reclaimed. Year-end inventories of gold and silver were minimal.

Revenues from the other products of the Trail operations (phosphate and sulphate fertilizers, surplus electrical power, and minor metals) were $81 million compared to $97 million in 1980. These activities form an integral part of the Trail metallurgical operations and offset costs of the principal activities. Electric power, which is surplus to Cominco's industrial load, is offered for sale to West Kootenay Power and Light Company, Limited and to other Canadian utilities. If it is not required for their needs the surplus is then offered for sale to U.S. consumers on an interruptible basis.

Sullivan Mine

Ore production in 1981 at the Sullivan Mine at Kimberley, B.C. was the highest achieved since 1964. As expected, the ore grades improved from 1980 levels and concentrate production was correspondingly higher. Dilution rates were higher than anticipated because of difficult ground conditions which affected the recovery of pillars. Conversion of the mine to mechanized mining progressed satisfactorily in 1981. Major improvements were made to the ventilation system.

		1981	1980
Ore milled	tons	2,436,000	2,351,000
	(tonnes)	*(2,210,000)*	*(2,132,000)*
Zinc			
Average grade		3.2%	2.7%
Concentrate	tons	131,200	105,200
	(tonnes)	*(119,000)*	*(95,400)*
Lead			
Average grade		4.4%	3.9%
Concentrate	tons	148,000	121,100
	(tonnes)	*(134,300)*	*(109,900)*

Pine Point Mine

At Pine Point, on the south shore of Great Slave Lake in the Northwest Territories, lead concentrate production was up but zinc concentrate production was down. The drop in zinc concentrate production is attributed to lower zinc feed grades. The tabular ore zones mined for the first time in 1981 have a much more erratic outline than the prismatic ore bodies mined in previous years, and this has caused increased dilution. Significantly higher strip ratios, longer hauling distances and increased energy and labour costs contributed to a sharp rise in the cost of production. A project to improve flotation circuits was completed in March 1981, resulting in improved recoveries of both zinc and lead, as well as savings in the use of energy and reagents. Seven new 85-ton haulage trucks were put into service at the end of the year, and a 17-cubic yard electric shovel is expected to be in operation by May of 1982.

		1981	1980
Ore milled	tons	3,636,000	3,626,000
	(tonnes)	*(3,299,000)*	*(3,289,000)*
Zinc			
Average grade		4.8%	5.5%
Concentrate	tons	274,400	314,600
	(tonnes)	*(249,000)*	*(285,400)*
Lead			
Average grade		2.0%	2.0%
Concentrate	tons	86,500	81,800
	(tonnes)	*(78,400)*	*(74,200)*

Black Angel Mine

Production at the Black Angel Mine, located on Marmorilik Fiord in Greenland, was maintained again at a high level in 1981. Underground exploration was successful in outlining new ore near the Angel and Cover ore zones, and there were encouraging results from surface exploration at two other sites. Total reserves were decreased by production and by the tonnage of ore in certain pillars in the Cover Zone which is unlikely to be extractable. Over $2.8 million was spent in exploration activities in 1981. The number of Greenlanders employed at Marmorilik continued to increase during the year, the result of a policy to hire Greenlanders whenever possible.

		1981	1980
Ore milled	tons	706,000	714,000
	(tonnes)	*(640,000)*	*(648,000)*
Zinc			
Average grade		13.5%	13.4%
Concentrate	tons	154,100	167,500
	(tonnes)	*(139,800)*	*(151,900)*
Lead			
Average grade		4.7%	5.3%
Concentrate	tons	42,000	46,300
	(tonnes)	*(38,100)*	*(42,000)*

Magmont Mine

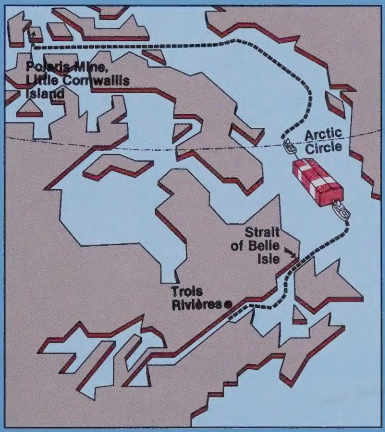
Magmont ore production was up slightly in 1981, although grades were down as the lower-grade Magmont East extension, discovered by diamond drilling in 1980, was brought into production. The development of the Magmont West orebody was 78 per cent complete at year-end and is expected to be in production late in 1982. These orebodies, although of lower grade than the original Magmont orebody, are expected to extend the operating life of the mine to about 1990.

		1981	1980
Ore milled[1]	tons	1,127,000	1,084,000
	(tonnes)	*(1,022,000)*	*(984,000)*
Lead			
Average grade		7.0%	8.0%
Concentrate	tons	49,200	54,500
	(tonnes)	*(44,700)*	*(49,400)*
Zinc			
Average grade		1.1%	1.0%
Concentrate	tons	7,900	6,600
	(tonnes)	*(7,200)*	*(6,000)*
Copper			
Average grade		0.3%	0.4%
Contained in	tons	1,000	1,400
concentrate	*(tonnes)*	*(900)*	*(1,300)*

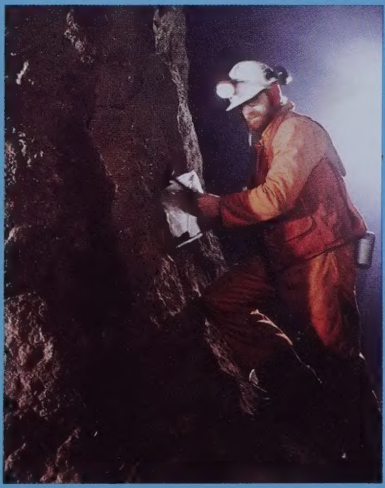
[1] *This mine is a joint venture of Cominco American Incorporated and Dresser Industries Incorporated. Ore milled reported is at 100 per cent; the tons of concentrate reported is Cominco's 50 per cent share of production*

At Pine Point, N.W.T., the 30-cubic yard dragline removed 6.9 million tons (6.2 million tonnes) of waste and overburden from production areas in 1981

Arvik II route to Polaris Mine



At Polaris, N.W.T., the average rock temperature underground is −12°C



Con Mine

The Con Mine in Yellowknife, Northwest Territories, was shut down for eight weeks, six due to a strike. Lower grades also reduced production. The average grade decreased as the dilution in the mechanized stoping areas was higher than anticipated. The mining method for these areas was changed during the second half of the year to reduce the amount of dilution. The arsenic trioxide plant to recover arsenic and gold from arsenic wastes is described in the "Environment" section on page 16 of this Report.

		1981	1980
Ore milled	tons	**194,000**	212,000
	(tonnes)	***(176,000)***	*(192,000)*
Gold			
Average grade	oz-ton	**0.41**	0.48
Production	ounces	**74,800**	96,900
	(kg)	***(2,326)***	*(3,015)*

Jersey Mine

Because of the low price of copper, in December 1981 the waste to ore stripping ratio was cut back from 2.0:1 to 0.7:1. This resulted in the direct cost of the operation being reduced by approximately 15 per cent on a unit cost basis. However, at this low stripping ratio, the developed reserves in the Jersey Mine will be mined out by June 1983. Production of copper contained in concentrates was 9.6 per cent higher in 1981 than the previous year. Only 78 per cent of the copper produced was shipped during 1981, resulting in an inventory of 15,000 tons *(13,700)* at year-end. Due to the depressed price of molybdenum, the molybdenum circuit was shut down in December.

		1981	1980
Ore milled	tons	**7,161,000**	6,924,000
	(tonnes)	***(6,496,000)***	*(6,282,000)*
Copper			
Average grade		**0.39%**	0.38%
Contained in concentrate	tons	**22,900**	20,900
	(tonnes)	***(20,800)***	*(19,000)*

Polaris Mine

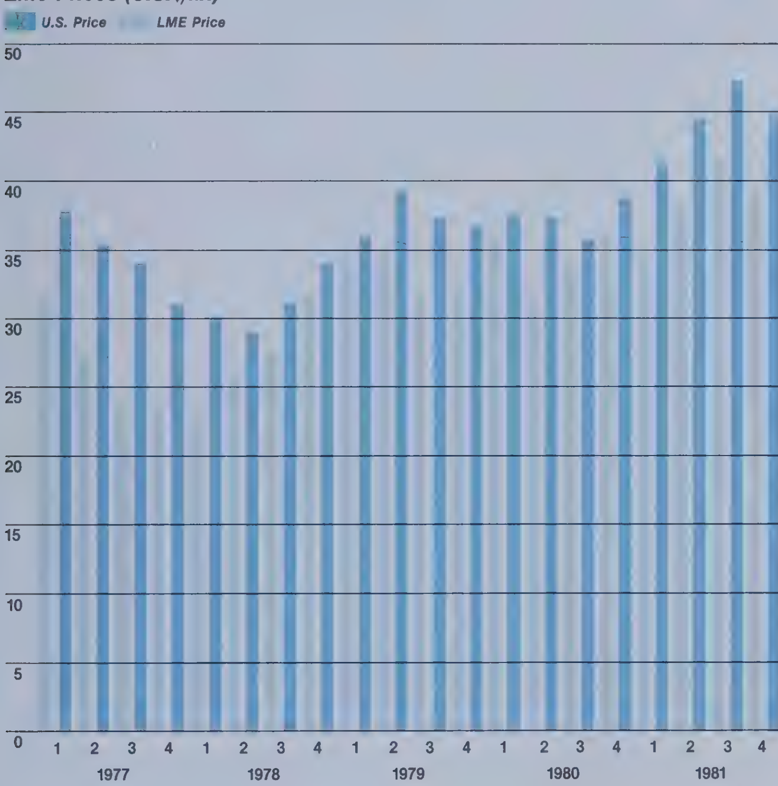
On-site surface construction continued through 1981. This included the fresh water supply system, tailings disposal system, dock and product load-out facilities, the concentrate storage building, the accommodation complex, all surface lines and distribution facilities, and the start-up of the mill. The barge housing the mill, concentrator and other processing facilities for the Polaris Mine reached the site on Little Cornwallis Island in the Northwest Territories in mid-August (see inside front cover). Underground development continued by contract until mid-October when this work was taken over by Cominco crews. The underground crushing and conveying systems were complete and ready for use by the end of October. Ore was first fed into the mill on November 4. Following adjustments to the mill and the tailings lines, sustained production began in February, 1982. The annual production of the mine, constructed at a cost of $162.3 million, will be 206,000 tons *(187,000)* of zinc concentrate and 46,000 tons *(42,000)* of lead concentrate.

Ore Reserves

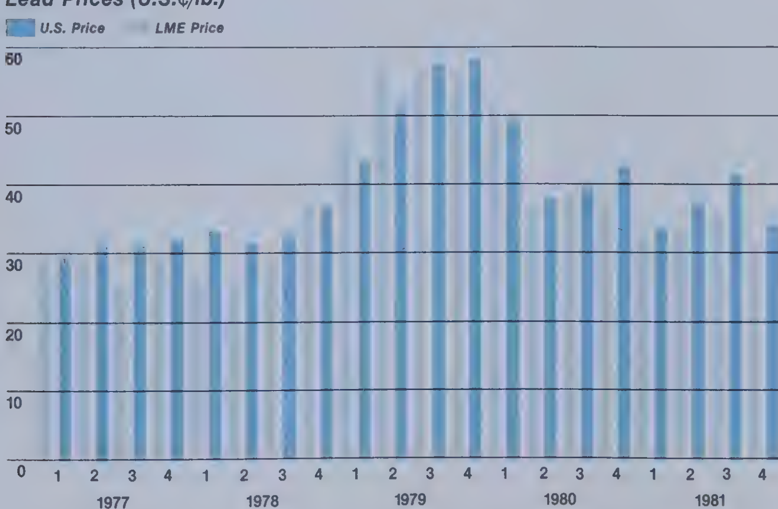
	PRODUCING MINES (Measured and Indicated)					**POTENTIAL MINES (Measured, Indicated and Inferred)**				
	1981				1980	**1981**				1980
	Ore Tons x1000	**%Pb**	**%Zn**	**Ag oz/ton**	Ore Tons x1000	**Ore Tons x1000**	**%Pb**	**%Zn**	**Ag oz/ton**	Ore Tons x1000
SULLIVAN	**51,000**	**4.5**	**6.0**	**1.1**	53,000	**–**	**–**	**–**	**–**	—
PINE POINT	**41,000**	**1.9**	**5.4**	**–**	41,000	**–**	**–**	**–**	**–**	—
MAGMONT	**5,500**	**7.8**	**1.1**	**0.3**	5,700	**3,700**	**3.4**	**1.6**	**–**	1,700
BLACK ANGEL	**3,000**	**4.2**	**13.5**	**1.0**	3,500	**–**	**–**	**–**	**–**	—
RUBIALES	**14,300**	**1.2**	**7.0**	**0.4**	14,200	**–**	**–**	**–**	**–**	—
QUE RIVER	**2,700**	**7.7**	**13.3**	**6.0**	—	**2,900**	**2.9**	**5.7**	**1.5**	6,900
JERSEY	**9,600**	**0.41% Cu**			53,000	**37,000**	**0.42% Cu**			—
CON-RYCON	**2,100**	**0.49% ozAu/T**			2,200	**–**	**–**			—
ABERFOYLE	**2,700**	**0.60% $SnWO_3$**			3,700	**–**	**–**			—
WARM SPRINGS	**7,300**	**30.0% P_2O_5**			7,500	**12,000**	**31.0% P_2O_5equiv.**			12,000
VADE	**99,000**	**26.3% K_2O equiv.**			102,000	**–**	**–**			—
HONDEKLIP	**400**	**0.7 carats/T diamonds**			—	**–**	**–**			—
FORDING	**170,000**	**clean coal equiv.**			62,000	**1,900,000**	**thermal coal**			1,900,000
POLARIS	**–**	**–**	**–**	**–**	—	**25,400**	**4.3**	**14.1**	**–**	25,400
LA TROYA	**–**	**–**	**–**	**–**	—	**5,500**	**1.2**	**10.7**	**0.5**	5,500
LAKE ZONE	**–**	**–**	**–**	**–**	—	**800,000**	**0.475% Cu**			800,000
PINCHI	**–**	**–**	**–**	**–**	—	**1,200**	**6.4 lbs. Hg/T**			1,200
OWENS LAKE	**–**	**–**	**–**	**–**	—	**33,000 (sodium carbonate equivalent)**				

Quarterly Average Metal Prices

Zinc Prices (U.S.¢/lb.)

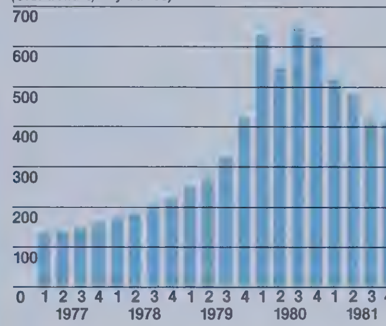


Lead Prices (U.S.¢/lb.)



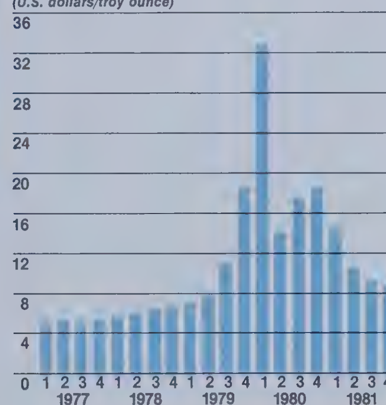
London Gold Price

(U.S. dollars/troy ounce)



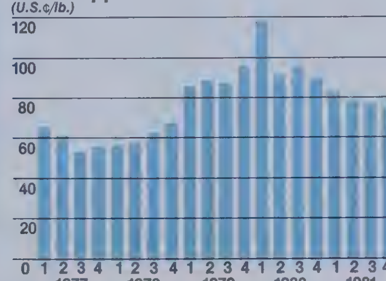
U.S. Silver Price

(U.S. dollars/troy ounce)



LME Copper Price

(U.S.¢/lb.)



Trail Metallurgical Operations

About two-thirds of Cominco's zinc concentrate production is refined at its Trail operations. Refined zinc production at Trail reached a record high of 260,900 tons *(236,600)* in 1981 as a result of upgraded plants and equipment which are part of the continuing modernization and expansion program. The previous record was 247,900 tons *(224,800)* in 1973. Refined lead production was 131,500 tons *(119,300)*, a slight improvement over the 1980 level of 130,000 tons *(117,900)*. Refined silver production was 7,721,000 tr. oz. *(240,123 kilograms)* compared with 8,199,000 tr. oz. *(255,020 kilograms)* in 1980.

Gold production at Trail in 1981 was 20,600 ounces *(641 kilograms)*, compared to 24,400 ounces *(759 kilograms)* in 1980. This drop was mainly a result of lower grades in custom concentrate purchases.

Two major feasibility studies are underway at Trail. One relates to a zinc residue leaching facility to improve the overall economics and flexibility of the Trail operations and result in the recovery and production of germanium and gallium. The other study is to evaluate the various options associated with the modernization of the lead smelting operation. Cominco is investigating a Russian process (Kivcet) to produce lead metal which incorporates a flash smelting/electric furnace instead of the conventional sinter plant/blast furnace combination.

Production of Refined Metals

		1981	1980
Zinc	tons	260,900	233,000
	(tonnes)	*(236,600)*	*(211,400)*
Lead	tons	131,500	130,000
	(tonnes)	*(119,300)*	*(117,900)*
Silver[1]	oz	7,721,000	8,199,000
	(kg)	*(240,123)*	*(255,020)*
Gold	oz	20,600	24,400
	(kg)	*(641)*	*(759)*

[1] *In 1981 3,181,000 tr. oz. (98,939 kilograms) came from Company-owned sources compared to 3,002,000 tr. oz (93,371) in 1980*

Chemicals and Fertilizers

Revenues and Operating Profit

	Revenues 1981	Revenues 1980	Operating Profit 1981	Operating Profit 1980
	(millions)			
Kimberley	$ 50	$ 37	$ 5	$ 3
Calgary	31	28	9	7
Carseland	124	94	43	29
Vade	84	83	30*	40*
Borger	83	68	1	5
Beatrice	23	19	1	—
Products for resale	72	64	8	10
	$467	$393	$ 97	$ 94
First Quarter			$ 23	$ 11
Second Quarter			37	36
Third Quarter			17	17
Fourth Quarter			20	30
			$ 97	$ 94

**It should be noted that total tax rate in Saskatchewan is 69% compared to Cominco's average effective tax rate of 40%.*

Cominco is a fully integrated plant food producer operating in eight locations in Canada and the United States — at Trail and Kimberley, B.C.; Carseland and Calgary, Alberta; Vade, Saskatchewan; Warm Springs, Montana; Beatrice, Nebraska; and Borger, Texas. As indicated previously, the revenues from Trail are included in the mining and integrated metals segment.

The outstanding performance of the chemicals and fertilizers segment produced an operating profit slightly above the 1980 level, with price increases outpacing cost increases by a small margin. Revenues increased to a record $467 million in 1981 from $393 million in 1980. After considering sales to other business segments, higher prices accounted for $51 million, and sales volumes accounted for $21 million. The most significant factor in cost increases for this segment was the rising cost of natural gas, the feedstock for the nitrogen-based chemical fertilizers.

For the fertilizer industry as a whole, nitrogen consumption was up about 3 per cent in the United States and almost 13 per cent in western Canada for 1981. Phosphate sales in western Canada in 1981 were up by 6 per cent from the previous year. In the United States phosphate sales were slightly lower than in 1981; however, deterioration in the offshore market resulted in substantial curtailment of production by U.S. producers. Potash sales and prices were satisfactory until approximately mid-year when significant declines in both demand and prices commenced. At year-end, all markets were weak with producer inventories rising and prices low.

Sales of Cominco's chemical and fertilizer products were 2,715,000 tons *(2,463,000)* down from 2,832,000 tons *(2,569,000)* in 1980, principally due to lower sales of potash.

The combined production at Cominco operations was 2,953,000 tons *(2,678,000)* of chemicals and fertilizers, compared to 2,787,000 *(2,528,000)* in 1980. Fertilizer production (principally phosphates) was up 6 per cent over 1980 at Trail and up 12 per cent at Kimberley. The Kimberley plant uses sulphur produced at the zinc pressure leach plant at Trail with phosphate rock to produce ammonium phosphate fertilizer.

At the Carseland plant, production of both ammonia and urea reached record levels. In 1981, 457,300 tons *(414,900)* of ammonia and 506,100 tons *(459,100)* of urea were produced, compared to

At Lacombe, Alberta, fertilizer is blended at one of the 150 Elephant Brand bulk dealers located in western Canada

At Carseland, Alberta, production of ammonia and urea reached record levels in 1981

430,200 tons *(390,300)* of ammonia and 441,100 tons *(400,200)* of urea in 1980.

Production levels of ammonia and urea at Calgary were down because of maintenance shutdowns, reducing operating time to about 85 per cent of capacity. Productivity improvements are anticipated in 1982. The total fertilizer production at Calgary in 1981 was 218,100 tons *(197,900)* compared to 227,600 tons *(206,500)* in 1980. In 1981, 9,300 tons *(8,400)* of urea sulphur, a new Cominco-developed product, were produced. The market for this product is expected to expand on the prairies as sulphur depletion of the soil increases.

At Cominco American's plant in Borger, Texas, ammonia production was 358,000 tons *(324,800)* compared to 362,100 tons *(328,500)* the previous year. In its first full year of operation, the urea plant produced 54,100 tons *(49,100)* for use as fertilizer and an animal feed supplement. The new plant approached design capacity of 85,000 tons *(77,100)* at year-end after a number of start-up problems were remedied. The ammonium nitrate plant at Beatrice, Nebraska produced 169,900 tons *(154,100)*, compared to 142,300 tons *(129,100)* in 1980.

At the Vade potash mine near Saskatoon, record production levels were reached for the second successive year. Improved ground conditions, increased productivity, and capital expenditures for a fourth mining machine and the expanded flotation section of the concentrator contributed to increased production of 1,087,000 tons *(986,000)* of potash, compared to 1,009,000 tons *(915,000)* in 1980. When the expansion program is complete in mid-1982, the production capacity will be 1,200,000 tons *(1,088,000)*.

In addition to the new mining machine and mill modifications, the potash expansion program includes upgrading of drying and screening facilities, construction of a new compaction plant, installation of a service hoist, and other renovations to improve efficiency.

Phosphate rock is produced in Montana by Cominco American primarily for use at Kimberley. Production in 1981 was 202,000 tons *(183,200)* including 15,000 tons *(13,600)* of low-grade rock sold to an elemental phosphorus producer. Development of the eastern Warm Springs phosphate bed was started in 1981.

Other Operations

Revenues and Operating Profit

	Revenues		Operating Profit	
	1981	1980	**1981**	1980
		(millions)		
Electronic Materials	**$ 39**	$ 55	**$ 3**	$ 5
Western Canada Steel	**105**	88	**9**	10
West Kootenay Power	**38**	28	**10**	8
Miscellaneous	**44**	33	**8**	2
	$226	$204	**$ 30**	$ 25
First Quarter			**$ 7**	$ 7
Second Quarter			**4**	5
Third Quarter			**6**	5
Fourth Quarter			**13**	8
			$ 30	$ 25

This segment of Cominco's business comprises the refining and fabrication of metal products by the Electronic Materials Division and by Western Canada Steel Limited and the distribution and sale of electric power by West Kootenay Power. Two additional companies are included for the first time in this segment, Cominco Engineering Services Ltd. and Lake Minerals Corporation.

Revenues increased from $204 million in 1980 to $226 million in 1981. After considering sales to other business segments, higher prices accounted for $4 million and higher sales volumes accounted for $16 million. Operating profit in this segment was $5 million higher in 1981.

Cominco conducts its electronic materials business in plants at Trail and through a subsidiary, Cominco Electronic Materials Incorporated, in Spokane, Washington. High purity metals and compound semiconductors are produced in Canada and fabricated products are made from high purity metals and alloys in the United States.

The electronic industry felt the impact of the recession during 1981, and sales of Cominco's electronic materials declined. However, demand for specialized semiconductors continued to grow, and Cominco established a production facility at Trail for gallium arsenide crystals, a material which outperforms silicon in some applications. A contract for the sale of cadmium mercury telluride was negotiated during the year, and an expansion of semi-conductor production facilities is planned for Trail. During the year a new 40,000 square foot warehouse, laboratory and office facility was completed in Spokane.

Sales of high purity metals were $39 million compared to $55 million in 1980, reflecting both lower sales volume and lower gold and silver prices. Operating profit of the division was $3.0 million in 1981 compared to $5.0 million in 1980.

Western Canada Steel Limited operates plants producing steel products from scrap metal in Vancouver and Calgary, and through a subsidiary company, Hawaiian Western Steel Limited, on the island of Oahu. The Calgary plant operated at near capacity producing 112,200 tons *(101,800)* in the year. Two shutdowns at the Honolulu plant, in January and in May due to market conditions, reduced that plant's production to 39,200 tons *(35,600)* in 1981. Capacity at the Vancouver plant was increased to 175,000 tons *(158,800)* at mid-year on completion of a continuous casting facility at a cost of $7.0 million. Production at this plant for the year totalled 121,700 tons *(110,400)*. Installation of a $25 million high-capacity tandem rolling mill to produce reinforcing steel will be completed in early 1983.

Revenues increased from $88 million in 1980 to $105 million in 1981. Higher prices accounted for $4 million and

The Que River silver, zinc, lead mine in Tasmania is expected to reach full production in 1982

Crystals grow in 36 hours at the Electronic Materials Divsion's new gallium arsenide production plant at Trail, B.C.

higher sales volumes accounted for $13 million of this increase. Operating profit of Western Canada Steel Limited was $9 million in 1981 compared to $10 million in 1980.

West Kootenay Power and Light Company, Limited owns one hydro-electric plant and Cominco owns five hydro-electric plants on the Kootenay and Pend d'Oreille Rivers near Trail. Three of Cominco's plants are used by its subsidiary, West Kootenay Power, for its utility load. The Cominco industrial load at Trail and at Kimberley is provided for by the remaining two plants.

During 1981 a proposal was made to the British Columbia Utilities Commission to make West Kootenay Power independent of Cominco. Subject to obtaining regulatory approvals West Kootenay Power will acquire three of Cominco's power plants and related facilities, and will raise funds for its ongoing capital requirements by offering its shares to the public. Cominco has agreed to continue to provide West Kootenay Power with a first right to purchase power needed by West Kootenay Power which is surplus to the Cominco industrial requirement provided Cominco does not become a utility by so doing. To allow Cominco to sell this surplus power to West Kootenay Power without limit, Cominco has requested the Utilities Commission to exempt Cominco from utility regulation. The hearings were conducted during August, September and October 1981 but a decision has not yet been rendered by the Utilities Commission.

Revenues of West Kootenay Power increased from $28.0 million in 1980 to $38.0 million in 1981. Energy sales were 8.8 per cent above 1980. About half of this increase was attributable to the addition of a major industrial user. The British Columbia Utilities Commission approved an interim 18 per cent rate increase effective January 1, 1981 and a final 4 per cent rate increase, related to higher provincial water rentals, effective February 1, 1981. In mid-December 1981, the Utilities Commission approved a further interim increase of 13.5 per cent and increases related to 1982 increases in provincial water rentals, both effective January 1, 1982. Operating profit was $10.0 million in 1981 compared to $8.0 million in 1980.

Miscellaneous operations in 1981 included Cominco American's oil and gas activities, Cominco Engineering Services Ltd., Lake Minerals Corporation and European holding and trading companies.

A new subsidiary company, Cominco Engineering Services Ltd., was established in Vancouver in 1981. It provides engineering consulting services which are largely based on the technology and expertise available within the Cominco organization.

Lake Minerals Corporation, a California company engaged in the mining of crude trona ore from an evaporite deposit in Owens Lake, California, was acquired by Cominco American in September, 1981 for US$8.2 million. Lake Minerals currently produces approximately 85,000 tons *(77,100)* of crude trona annually with the total production sold to an industrial customer. Trona is the raw material of soda ash, which is used for glass-making and the manufacture of soaps and detergents. Programs are under way to increase sales of crude trona and to study the feasibility of expanding into the refined soda ash business by upgrading the crude trona ore.

Associated Companies

Associated companies are those in which Cominco's interest is 50 per cent or less and over which it has significant influence.

Aberfoyle Limited of Australia, operating two tin mines and one silver, zinc, lead mine, had revenues of $56 million and contributed $1.2 million to Cominco's earnings in 1981 including a profit of $1.1 million from the sale by Aberfoyle of its interests in a subsidiary and an associate company. This compares with revenues of $58 million and earnings contribution of $4.1 million in 1980. Revenues were adversely affected by a substantial decline in the price of tin in the first half of 1981, and lower than expected production from the new Que River silver, zinc, lead mine in Tasmania.

The Que River mine produced its first revenue in 1981. The initial mine construction and development program was completed in early 1981. Ore production, which totalled 98,900 tons *(89,700)* in the start-up year, is expected to reach a full production level of 220,400 tons *(200,000)* a year in 1982. In the third quarter of 1981, deliveries resumed from the mine following the re-opening of a major customer's plant, which had been closed because of a strike.

Exminesa's (Exploracion Minera Internacional Espana S.A.) Rubiales Mine in Spain had revenues of $57.0 million, the same as 1980, and contributed $2.8 million to Cominco's earnings in 1981, compared to $3.6 million in 1980. The results were affected adversely by the weakening of the Spanish peseta relative to the Canadian dollar during the year.

At the Rubiales Mine, zinc concentrate production was at a record high of 134,400 tons *(121,900)* compared to 130,500 tons *(118,400)* in 1980. Lead

Associated Companies	Percentage Ownership	Revenues		Share of Earnings	
		1981	1980 (millions)	**1981**	1980
Aberfoyle Limited	47	**$ 56**	$ 58	**$ 1.2**	$ 4.1
Exploracion Minera Internacional Espana S.A. (Exminesa)	47	**57**	57	**2.8**	3.6
Brazil Diamante (Eiendoms) Beperk	50	**3**	—	**0.3**	—
Fording Coal Limited	40	**247**	215	**(1.1)**	5.7
The Canada Metal Company Limited	50	**89**	102	**0.3**	0.2
Other		**48**	47	**0.3**	0.3
		$500	$479	**$ 3.8**	$13.9

concentrate production was down slightly at 18,200 tons *(16,500)* compared to 20,000 tons *(18,100)* in 1980. Operating problems with the mills required the overhaul of the ball mill and the rod mill gears. Both mills were operating satisfactorily at year-end.

Brazil Diamante (Eiendoms) Beperk, commenced a small-scale alluvial diamond mine at Hondeklip on the west coast of South Africa. Production in 1981 was 84,200 carats (417,000 diamonds). Cominco's share of net earnings was $300,000 to September 30, 1981. The terms of employment of the 36 persons on the staff and workforce of Brazil Diamante conform to the Canadian government's guidelines for Canadian companies operating abroad.

Fording Coal Limited, with open pit operations near Elkford, B.C. produced 4,069,000 tons *(3,691,000)* of metallurgical grade clean coal, compared to 3,832,000 tons *(3,476,000)* in 1980. Sales were 4,076,000 tons *(3,698,000)* compared to 3,843,000 tons *(3,486,000)* in 1980. Fording's expansion program to increase production capacity from 3,360,000 tons *(3,048,000)* to 5,600,000 tons *(5,080,000)* is progressing satisfactorily. The 1981 drilling program on Eagle Mountain outlined 100 million tons of clean coal which was added to the reserves. Revenues for the year were $247 million compared to $215 million in 1980. Earnings at Fording were affected adversely by the sales price in a major contract which was set two years ago. This contract is due for renegotiation in 1982. Operating costs increased mainly due to production difficulties which were resolved by year-end. Cominco's share of the loss for the year was $1.1 million compared to earnings of $5.7 million in 1980.

Summary of Results of Operations of Associated Companies

	1981	1980
	(millions)	
Revenues	$500.4	$479.4
Costs and expenses	491.8	425.5
Earnings before the following	8.6	53.9
Income taxes	1.6	(18.3)
Exchange losses on translation of foreign companies	(1.3)	(2.2)
Total net earnings of associated companies	$ 8.9	$ 33.4
Cominco's share of net earnings	$ 3.8	$ 13.9
Dividends received by Cominco	$ 3.8	$ 5.6

Summary of Financial Position of Associated Companies

	1981	1980
	(millions)	
Working capital	$ 45.5	$ 20.0
Fixed assets	316.3	278.6
Other assets	5.1	4.7
	366.9	303.3
Less: Income taxes not currently payable	55.8	58.8
Long-term debt	102.3	68.3
Other non-current liabilities	13.5	9.9
Net assets	$195.3	$166.3
Cominco's share of net assets	$ 87.4	$ 73.4

The Canada Metal Company Limited, which produces secondary lead, lead oxide, extrusions, castings, and other metal products, reported sales of $89 million in 1981, compared to $102 million in 1980. Soft demand, a continuation of low prices and increased operating costs affected earnings, of which Cominco's share was $0.3 million compared to $0.2 million in 1980.

Other Companies

Tara Exploration and Development Company Limited (17.2%-owned) suffered a loss of US$10.4 million in 1981 principally due to a strike which began in July and was not settled until after year-end.

Panarctic Oils Ltd.'s (7.4%-owned) costs continue to be capitalized as none of its properties is in production. Natural gas reserves in the Arctic Islands are established at 16 trillion cubic feet, insufficient to justify a pipeline. The 1981 exploration program resulted in an oil discovery which requires further delineation.

Investments in other companies are carried at cost in the accompanying financial statements less amounts written off. Income is recorded only to the extent of dividends received. No dividends were received during the year.

Exploration

The goals of Cominco's exploration program are to extend known reserves at existing mines, and to discover and develop new ore deposits.

Exploration expenditures in 1981 totalled $61 million, up $17 million from 1980. A major part of the increase was the result of an expanded program in Alaska. Investigation and evaluation of identified mineral properties accounted for $41.4 million. This amount was capitalized as Investments in Mineral Properties and is being amortized against earnings. The remaining $19.6 million was expended on general exploration and charged against 1981 earnings.

Additional ore reserves sufficient to replace mine production were identified at the Con, Pine Point, Magmont, and

Rubiales Mines. New areas of zinc-lead mineralization were discovered on the Black Angel property, but further work is required before it will be known if these represent new reserves.

Exploration for new deposits was carried out on a world-wide basis. Projects in Canada accounted for 40 per cent of the total expenditure. Exploration activity in the United States was at a record level, amounting to 30 per cent of the total. The remaining 30 per cent was spent on projects in 15 other countries.

Diamond drill programs were carried out on nearly 50 properties, half of which were sufficiently encouraging to justify further work.

The search for new zinc and lead deposits, which represented a major part of the 1981 exploration program, produced encouraging results on projects in Alaska, the western United States, Canada, Mexico, and the United Kingdom. In Alaska, the Red Dog zinc, lead, silver deposit near Kotzebue announced on February 5, 1982 is estimated to contain 85 million tons of 17.1 per cent zinc, 5.0 per cent lead and 2.4 oz. of silver per ton. Cominco American Incorporated and NANA Regional Corporation Inc. (owned by approximately 4600 Inupiat shareholders) reached agreement for the evaluation and potential development of this deposit. Because of the remote location, capital costs and operating costs will be significant.

Additional mineralization of zinc, lead and silver was outlined on the Bathurst Norsemines Ltd. (N.P.L.) property in the Northwest Territories, and exploration continued on the Hay West joint venture project which is the western extension of the Pine Point zinc, lead mineral zone.

The search for other minerals to broaden Cominco's product range included projects for gold, silver, copper, molybdenum, tungsten, tin, coal, diamonds, phosphate and potash. Major drilling programs were carried out on two large, low-grade, copper, gold deposits in British Columbia, and on a copper, molybdenum deposit in Mexico. Drilling continued on the Drake Property, a low-grade silver, gold deposit in Australia.

Other continuing programs included assessment of diamond occurrences in Brazil and in the United States and of a phosphate deposit in French Polynesia in which Cominco holds a 25 per cent interest.

Research and Development

The Product Research Centre at Sheridan Park had 41 employees and a budget of $2.5 million in 1981. Research and development work aimed at strengthening and expanding Cominco's metal markets continued during the year. Technical assistance and support for Cominco's customers was also provided.

Zinc foundry alloy applications, developed at the Product Research Centre, are gaining acceptance. In future, these alloys will offer new market opportunities for zinc.

Cominco-developed lead-acid electric storage battery manufacturing equipment is now in commercial production. It represents Cominco's growing commitment to the improvement of the lead-acid battery's design, method of manufacture and performance. The new technology uses lead strips in a clean, automated, high-speed method of producing battery plates at a low cost. Work is continuing to develop processing machinery and technology for the battery industry, the major user of lead.

Cominco's technical research centre at Trail had a staff of 48 and a budget of $3 million. Work in 1981 centred on zinc pressure leaching technology, residue leaching, halogen leaching, technology for effluent treatment at Cominco operations, and a variety of projects associated with the modernization and expansion at Trail and at Kimberley.

Human Resources

At the end of 1981, Cominco and its subsidiaries employed 12,600 people, more than 10,000 of them in Canada. Productivity, safety, and training were emphasized in a wide range of programs. Work interruption due to labour disputes was minimal.

Sixteen labour agreements were negotiated between employees and Cominco and its subsidiary companies in 1981. With the exception of a six-week stoppage at the Con Mine, all agreements were signed without work interruption. Most of the contracts are for two years, renewable in 1983. During 1982, agreements covering four operations will be negotiated.

Full-scale apprenticeship programs to develop skilled tradesmen continue at most Cominco operations. At the Black Angel Mine, the number of Greenlanders employed rose to 41 per cent in 1981 from 30 per cent in 1980. At Polaris, considerable emphasis was placed on the development of on-job training, and recruitment of Inuit and other northern workers. Inuit comprise about 25 per cent of the Polaris workforce, which totalled 200 at year-end.

In 1981, 52 Cominco employees received 40-year service awards. In keeping with a policy of recognizing and rewarding educational achievement, 47 children of employees received scholarships for post-secondary education.

Environment

The $9 million Effluent Treatment Plant at Trail began operating in mid-1981. It has effectively reduced the metals content of waste water from the metallurgical operations.

At the Con Mine in the Northwest Territories, the design of a plant to treat arsenic wastes was approved in 1981 and the plant will be completed in 1982. Arsenic wastes have not been produced at the Con Mine since 1970 when the roasting process of gold extraction was discontinued. The wastes are stored in basins formed of solid rock which are completely fenced and sealed behind concrete retaining walls on the property. The new treatment plant will recover arsenic trioxide which is saleable in crystal form as well as quantities of gold and silver.

At Trail, an improved Sulphur Gas Handling Project is scheduled for completion in 1983. This project will bring important benefits in environmental control, working conditions and production efficiency, and the Trail plants will be able to treat concentrates having a higher mercury content than can be accepted at present.

The emphasis on safety is evident in the machine shop

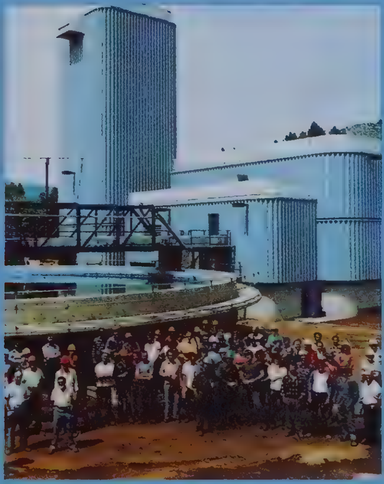
Safety

Ongoing safety programs at Cominco's world-wide operations continued to improve. At Cominco Ltd.'s Canadian operations the number of lost-time accidents was 13 per cent lower than in 1980. The program at Pine Point was particularly effective, resulting in a 25 per cent reduction in accidents. To enhance safety and increase safety consciousness, employees are encouraged to participate in first aid and mine rescue competitions. In 1981, the Sullivan Mine No. 3 Rescue Team won the prestigious Dominion Mine Rescue Trophy, awarded to the top mine rescue team in Canada.

Among other safety award winners was Cominco American's Beatrice, Nebraska plant. It completed four years without a lost time accident at the end of January, 1982.

At Mitsubishi-Cominco in Japan, the Naoshima plant won the Minister of Labour's prize in a national safety campaign for its achievements in improving the conditions of occupational safety and health. The plant reached ten years of operation without an accident on August 6, 1981.

The new effluent treatment plant processes 1.3 million imperial gallons (6 million litres) of water a day at Trail, B.C.



Production and Sales Statistics

		1981 Sales	1981 Production	1980 Sales	1980 Production
Refined Metal					
Zinc					
Trail	tons	245,500	260,900	240,700	233,000
Tolled — Pine Point	tons	—	—	6,400	6,400
— Black Angel	tons	31,100	30,400	37,400	36,900
		276,600	291,300	284,500	276,300
Lead					
Trail	tons	127,000	131,500	121,600	130,000
Tolled — Magmont	tons	24,600	28,500	37,600	34,000
		151,600	160,000	159,200	164,000
Silver (1)	ounces	7,635,000	8,440,000	8,491,000	8,917,000
Gold					
Con/Rycon	ounces	74,900	74,800	97,100	96,900
Others	ounces	20,600	20,600	24,400	24,400
		95,500	95,400	121,500	121,300
Concentrates (2)					
Zinc					
Sullivan	tons	—	131,200	—	105,200
Magmont	tons	7,800	7,900	6,700	6,600
Pine Point	tons	35,600	274,400	40,600	314,600
Black Angel	tons	110,600	154,100	88,500	167,500
		154,000	567,600	135,800	593,900
Lead					
Sullivan	tons	—	148,000	—	121,100
Magmont	tons	12,000	49,200	6,500	54,500
Pine Point	tons	70,600	86,500	61,000	81,800
Black Angel	tons	44,100	42,000	46,100	46,300
		126,700	325,700	113,600	303,700
Copper (3)					
Bethlehem (4)	tons	17,900	22,900	25,000	20,900
Magmont	tons	1,100	1,000	1,600	1,400
		19,000	23,900	26,600	22,300
Chemicals and Fertilizers					
Canada	tons	1,358,000	1,391,000	1,352,000	1,336,000
United States	tons	440,000	475,000	450,000	442,000
		1,798,000	1,866,000	1,802,000	1,778,000
Potash	tons	917,000	1,087,000	1,030,000	1,009,000
		2,715,000	2,953,000	2,832,000	2,787,000

(1) Includes silver sold in concentrates and intermediate products

(2) Sales tonnages exclude concentrates processed at Trail and concentrates tolled through other smelters

(3) Tonnages are for copper contained in concentrate

(4) 1980 figures are included for comparative purposes only. The results of Bethlehem Copper Corporation were consolidated as of November 1, 1980

Management's Statement on Financial Reporting

The accompanying consolidated financial statements of Cominco Ltd. and its subsidiaries have been prepared in accordance with generally accepted accounting principles considered to be appropriate in the circumstances. The statements and all of the information contained in the Annual Report are the responsibility of management and are approved by the Board of Directors of Cominco Ltd. Financial and operating information appearing throughout the Annual Report is consistent with that contained in the financial statements.

The consolidated financial statements of Cominco Ltd. and its subsidiaries are examined by Cominco's auditor, Thorne Riddell, and their report follows.

Consolidated Financial Statements

Auditors' Report

To the Shareholders
of Cominco Ltd.

We have examined the consolidated balance sheet of Cominco Ltd. as at December 31, 1981 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1981 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, after giving retroactive effect to the change in the method of valuing certain inventories as described in note 9.

Vancouver, Canada
February 9, 1982

Thorne Riddell

Chartered Accountants

Summary of Significant Accounting Policies

The accounts of Cominco Ltd. (the Company) are prepared using generally accepted accounting principles in Canada and on a basis consistent with the previous year after giving retroactive effect to the change in the method of valuing certain inventories. To facilitate review of the consolidated statements contained in this report, the significant accounting policies followed by the Company and its subsidiaries are summarized below.

Principles of Consolidation
The accounts of the Company and its subsidiaries are consolidated in the financial statements. The differences between the cost of the investments and the underlying book values of the assets at the dates of acquisition have been allocated to fixed assets on consolidation and are being amortized accordingly. Inter-company items and transactions between consolidated companies are eliminated.

Investments in associated companies (those companies in which the Company owns 50% or less of the shares and over which it has significant influence) are accounted for by the equity method. Under this method the Company includes in its earnings its share of the earnings or losses of associated companies. In measuring the Company's share of earnings or losses, amortization of differences between the cost of the investments and underlying book values is taken into account.

Foreign Currency Translation
The accounts of foreign subsidiaries are translated into Canadian dollars. Accounts included in the consolidated statement of earnings, except inventories, depreciation and depletion, are translated at the weighted average rates of exchange prevailing during the year. Inventories, depreciation and depletion are translated at the rates in effect when the related expenditures are made. Accounts included in the consolidated balance sheet are translated at rates of exchange in effect at the end of the year, except that: a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates at dates of acquisition; b) deferred income taxes and retained earnings are at rates at date of origin; and c) debts not maturing within one year and share capital are at rates at dates of issue. The resulting translation adjustments are included in the determination of consolidated earnings.

Inventories
Finished goods, raw materials and partially processed materials are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Stores and operating supplies are valued at average cost less appropriate allowances for obsolescence.

Land, Buildings and Equipment
Land, buildings and equipment are recorded at cost and include the cost of renewals and betterments. When assets are sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in earnings. Repairs and maintenance are charged against earnings as incurred.

Depreciation is calculated on the straight-line method using rates based on the estimated service lives of the respective assets. In some integrated mining and manufacturing operations, assets are pooled and depreciated at composite rates. Depreciation is not provided on major additions until commencement of commercial production.

Mineral Properties and Development
Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Due to the uncertainty of the final outcome, expenditures on investigation together with the cost of certain investments in mineral companies are amortized against earnings by charges for depletion. Abandoned properties are charged against earnings in the year of abandonment. Depletion on operating mines is provided on a units-of-production or on a time basis related to the mineral reserves position.

Taxes on Income
Income tax laws in Canada and in some other countries permit the deduction of depreciation and other items from income to determine taxable income at times which do not coincide with those used for financial reporting purposes. These differences in timing of deductions result in taxes being provided which are not currently payable.

Tax savings from investment tax credits are reflected in earnings as they are realized.

Withholding taxes, where applicable, on earnings of foreign operations are provided in the accounts to the extent of dividends anticipated in the future.

Research and Product Development
Research and product development costs are charged against earnings as incurred.

Interest
Generally, interest expense is charged against earnings. Interest on specific borrowings for major expenditures for fixed assets is capitalized during the construction period.

Start-Up Costs
Start-up costs related to major projects are deferred until the facilities achieve commercial production volumes. These deferred costs are amortized against earnings on a straight-line basis over a reasonable period of time.

Earnings per Share
Earnings per common share are calculated by dividing net earnings less preferred dividends paid and accrued, by the weighted average number of shares outstanding during the year.

Consolidated Statement of Earnings

Year Ended December 31, 1981

	1981	1980
	(thousands)	
Revenue		
Sales of products and services	$1,416,904	$1,442,698
Income from investments	19,921	13,425
	1,436,825	1,456,123
Costs and Expenses		
Cost of products and services	949,295	873,851
Distribution	132,080	110,385
Selling	28,402	28,323
General and administrative	45,721	39,548
General mineral exploration	19,582	13,166
Long-term debt interest and expense	51,409	24,866
Depreciation, depletion and amortization	83,570	73,836
	1,310,059	1,163,975
Earnings before the Following	126,766	292,148
Taxes on income including resource taxes (Note 8)		
Current	11,921	69,434
Not currently payable	38,910	49,857
	50,831	119,291
	75,935	172,857
Minority interests in net earnings of subsidiary companies	10,164	14,097
	65,771	158,760
Equity in net earnings of associated companies	3,761	13,905
Loss on translation of accounts of foreign subsidiaries	(4,822)	(1,554)
Earnings before Extraordinary Item	64,710	171,111
Extraordinary item (Note 10)	5,564	—
Net Earnings	$ 70,274	$ 171,111
Earnings per Common Share		
Earnings before extraordinary item	$ 3.05	$ 9.54
Net earnings	$ 3.35	$ 9.54

Consolidated Statement of Earnings Reinvested in the Business

Year Ended December 31, 1981

	1981	1980
	(thousands)	
Amount at Beginning of Year		
As previously reported	$631,507	$545,554
Adjustment of inventories (Note 9)	4,669	2,820
As restated	636,176	548,374
Net earnings	70,274	171,111
	706,450	719,485
Deduct		
Costs incurred on issue of Common shares	475	—
Dividends paid		
Preferred — Series A $2.00 per share	3,879	3,920
— Series C $2.29 per share (1980 — $2.11)	4,581	4,227
Common $4.10 per share (1980 — $4.40)	75,205	75,162
	84,140	83,309
Amount at End of Year	$622,310	$636,176

Consolidated Balance Sheet

at December 31, 1981

	1981	1980
	(thousands)	
Current Assets		
Cash and short-term investments	$ 48,887	$ 79,252
Accounts receivable	243,624	242,492
Inventories (Note 2)	334,181	287,464
Prepaid expenses	7,317	3,771
	634,009	612,979
Investments (Note 3)		
Associated companies	95,458	81,451
Other companies	34,614	36,653
	130,072	118,104
Fixed Assets		
Land, buildings and equipment	1,396,081	1,170,993
Less accumulated depreciation	463,791	428,441
	932,290	742,552
Mineral properties and development	402,365	236,760
Less accumulated depletion	92,291	69,382
	310,074	167,378
	1,242,364	909,930
Other Assets (Note 4)	21,379	11,491
	$2,027,824	$1,652,504

	1981	1980
	(thousands)	
Current Liabilities		
Bank loans and notes payable	$ 140,007	$ 81,703
Accounts payable and accrued liabilities	171,220	163,639
Income and resource taxes	19,268	36,504
Long-term debt due within one year	11,509	7,445
	342,004	289,291
Long-Term Debt (Note 5)	560,077	329,014
Income Taxes Provided but not Currently Payable	219,165	172,864
Minority Interests	45,449	90,393
Shareholders' Equity		
Capital (Note 6)	232,229	134,766
Earnings reinvested in the business	622,310	636,176
	854,539	770,942
Commitments and Contingent Liabilities (Note 11)		
	$2,027,824	$1,652,504

Approved by the Board:

W. Anderson Director W. G. Wilson Director

Consolidated Statement of Changes in Financial Position

Year Ended December 31, 1981

	1981	1980
	(thousands)	
Source of Funds		
Funds provided from operations	$201,251	$307,710
Disposal of land, buildings, equipment and investments	6,060	5,931
Sale of investment in Pacific Coast Terminals Co. Ltd. (Note 10)	12,526	—
Additional long-term debt	253,368	117,813
Issue of common shares	99,434	1,088
Working capital added on consolidation of Bethlehem Copper Corporation on November 1, 1980	—	79,682
	$572,639	$512,224
Application of Funds		
Land, buildings and equipment	$265,279	$240,598
Mineral properties and development	68,388	39,654
Purchase of shares of Bethlehem Copper Corporation and Valley Copper Mines Limited (N.P.L.) (Note 7)	133,481	61,013
Investment in associated companies	12,770	814
Investment in other companies	2,293	1,225
Repayments on long-term debt	14,296	15,166
Preferred shares purchased for cancellation	1,618	1,456
Dividends — to common shareholders	75,205	75,162
— to preferred shareholders	8,460	8,147
— to minority shareholders of subsidiary companies	14,446	17,293
Working capital of Pacific Coast Terminals Co. Ltd. removed from the consolidation	1,422	—
Other	6,662	3,203
	604,322	463,731
Increase (Decrease) in Working Capital	(31,683)	48,493
	$572,639	$512,224

Notes to Consolidated Financial Statements

Year Ended December 31, 1981

1. Accounting Policies

The significant accounting policies followed by the Company and its subsidiary companies are summarized under the caption "Summary of Significant Accounting Policies".

2. Inventories

	1981	1980
	(thousands)	
Finished goods	$166,892	$132,864
Raw materials and partially processed materials	82,860	93,327
Stores and operating supplies	84,429	61,273
	$334,181	$287,464

3. Investments

	1981	1980
	(thousands)	
Associated companies:		
Shares at cost	$ 66,758	$ 52,381
Equity in undistributed earnings	28,700	29,070
	$ 95,458	$ 81,451
Other companies:		
Shares at cost		
Panarctic Oils Ltd. (7.4% owned)	$ 19,513	$ 18,391
Tara Exploration and Development Company Limited (17.2% owned)	26,903	26,903
Other companies	5,894	6,610
Other	339	433
	52,649	52,337
Less accumulated depletion provided on mineral investments	18,035	15,684
	$ 34,614	$ 36,653

4. Other Assets

	1981	1980
	(thousands)	
Debt financing costs, less amounts amortized	$ 2,117	$ 2,226
Loan to Bankeno Mines Limited	3,000	3,000
Deferred start-up costs	7,609	—
Other	8,653	6,265
	$ 21,379	$ 11,491

5. Long-Term Debt (excluding amount due within one year)

	1981	1980
	(thousands)	
Cominco Ltd.		
10% Serial Notes due 1983 to 1996, U.S. $46,667,000	$ 45,943	$ 49,224
8½% Sinking Fund debentures due 1991	52,888	54,183
10⅞% Sinking Fund debentures due 1995	49,000	52,394
Bank loan due 1983 with interest related to the Canadian prime bank rate	8,000	13,000
Export-Import Bank of the United States 8% loan due 1983 to 1985, U.S. $3,812,000	3,797	5,315
Bank loan due 1983 to 1994 with interest related to prime bank rates (financing of Polaris Project)	152,000	51,000
Bank loan due 1983, convertible at option of the Company to become repayable over ten years with interest related to prime bank rates (financing of Bethlehem Copper Corporation and Valley Copper Mines Ltd. [N.P.L.] share purchases)	200,000	61,013
West Kootenay Power and Light Company, Limited		
5¾% First Mortgage bonds due 1985	5,514	5,954
Bank loan due 1983 bearing interest at ¼% above Canadian prime bank rate	36,125	32,200
Cominco American Incorporated		
7% Notes due 1983 to 1985, U.S. $2,710,000	3,007	4,364
8½% note payable to be repaid monthly on a declining balance basis. Final settlement date March, 2000. U.S. $2,248,000	2,700	—
Other debt	500	—
Western Canada Steel Limited		
Bank loan with interest related to the Canadian prime bank rate repayable over ten years commencing not later than July 1, 1984	5,500	—
Other Companies	[illegible]	367
	$565,677	$329,014

Payments required on long-term debt, assuming the conversion of the bank loan due 1983 into a ten-year term loan are: 1982-$11,509,000; 1983-$83,728,000; 1984-$40,552,000; 1985-$46,349,000; 1986-$40,303,000.

If translated into Canadian dollars at year-end rates of exchange, long-term debt would increase by $10,371,000 in 1981 and $12,035,000 in 1980. This is not necessarily indicative of the amounts of the exchange premium, if any, which will be payable when the obligations are retired.

6. Capital

The Company is incorporated under the Canada Business Corporations Act, and is authorized to issue an unlimited number of Preferred and Common Shares.

	1981	1980
	(thousands)	
a) Issued and fully paid:		
Preferred —		
1,860,084 shares (1980—1,938,884) — $2.00 Tax Deferred Exchangeable Shares Series A (Note 6[d])	$ 46,502	$ 48,473
2,000,000 — Floating Rate Preferred Shares Series C	50,000	50,000
	[illegible]	98,473
Common —		
18,802,718 shares (1980—17,084,453) (Note 6[c])	135,727	36,293
	[illegible]	$134,766

b) Preferred Shares:
The Company has constituted the following Preferred Shares:
- 2,000,000 shares as "$2.00 Tax Deferred Exchangeable Preferred Shares Series A"
- 2,000,000 shares as "$2.4375 Preferred Shares Series B"
- 2,000,000 shares as "Floating Rate Preferred Shares Series C"

Each Series A Preferred Share is entitled to a fixed cumulative cash dividend of $2.00 per annum payable semi-annually. The Series A Preferred Shares are exchangeable into Series B Preferred Shares after June 1, 1988. Each Series C Preferred Share is entitled to a cumulative cash dividend which is related to the prime rate of interest charged by certain Canadian banks, adjusted quarterly and payable semi-annually. The holders of the Series C Preferred Shares may call for retraction on March 31, 1988.

c) Shares issued during the year for cash:

9,200 Common Shares (Note 6[e])	$ 308,000
1,709,065 Common Shares through a rights issue	99,126,000
1,718,265	$99,434,000

d) Shares purchased for cancellation:
During 1981, the Company purchased for cancellation 78,800 Series A Preferred Shares with an issued value of $1,970,000 for $1,618,000 cash.

e) The Company has 8,600 Common Shares remaining unissued under a stock option plan in favour of certain executives in the full-time employment of the Company or a subsidiary. Options are exercisable within five years of issue at 90% of the market price on the day when granted.

Outstanding options at December 31, 1981, are as follows:

Granted	Price	Out-standing	Exercised in 1981
1976	34.99	Nil	3,700
1977	32.63	2,525	1,000
1978	24.41	1,500	Nil
1979	32.40	11,750	4,500
1980	52.31	21,750	Nil
1981	60.98	26,000	Nil
		63,525	9,200

7. Bethlehem Copper Corporation and Valley Copper Mines Limited (N.P.L.)

During the year the Company purchased 2,396,437 common shares of Bethlehem Copper Corporation for $90,146,000 ($37.50 a share) and 1,310,287 common shares of Valley Copper Mines Limited (N.P.L.) for $43,335,000 ($33.00 a share) bringing its holdings to 100% in each of the companies from 64.4% and 81.8%, respectively. The excess of the purchase price over the book value of the shares at date of acquisition has been allocated to Mineral Properties and Development.

8. Taxes on Income

Income taxes have been reduced by the following amounts:
a) Investment tax credits of $2,228,000 (1980: $10,939,000);
b) The cancellation in the United Kingdom of $3,288,000 (1980: Nil) in deferred taxes provided in prior years on inventory appreciation.

Accumulated investment tax credits amounting to $32,200,000 are available to reduce income taxes otherwise payable during the years 1982 to 1986.

9. Change in Accounting Policy

To conform to the general practice of the Company, the basis of determining the cost of certain inventories in the United States was changed from the last-in, first-out method to the monthly average method. This change in accounting method was adopted with retroactive effect increasing net income in 1981 by $1,959,000 ($0.10 per share) and in 1980 by $1,849,000 ($0.10 per share). Previously reported inventories of finished goods, income taxes provided but not currently payable and retained earnings have been restated.

10. Extraordinary Item

The Company sold its interest in a subsidiary company, Pacific Coast Terminals Co. Ltd., effective December 31, 1981. The Company's gain amounting to $5,564,000 after providing for income taxes of $2,433,000 is included as an extraordinary item. The accounts of the subsidiary have been removed from the consolidation.

11. Commitments and Contingent Liabilities

a) The Company and its subsidiaries have pension plans covering substantially all employees. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is being funded and charged to earnings over varying periods up to 15 years. The date of the most recent actuarial evaluation for most pension plans is December 31, 1980. At December 31, 1981, actuarial estimates of the unfunded liability for past service amount to $59,000,000 of which $50,000,000 remains to be charged to earnings, $9,000,000 having been charged to earnings by provisions in prior years. The vested portion of the unfunded liability for past service is $40,000,000.

Total pension expense including past service costs was $22,711,000 for 1981 and $21,073,000 for 1980.

b) At December 31, 1981, guarantees amounted to $32,000,000 of which $21,500,000 was for bank loans of an associated company.

c) At December 31, 1981, unexpended amounts remaining on approved major capital projects were $199,000,000.

12. Related Party Transactions

Related parties consist of the Company's associated companies and Canadian Pacific Limited and its subsidiary and associated corporations.

Sales (all at fair market prices) to related parties amounted to $38,000,000 (1980: $51,600,000). The Company provides management services at cost to certain associated companies.

The Company has a revolving line of credit with Canadian Pacific Securities Limited in the amount of $30 million which provides for loans of up to one year at interest rates related to prime bank rates and commercial paper rates. The amount outstanding at December 31, 1981 was $15 million (1980: Nil).

The Company makes extensive use of both major Canadian railroads, one of which is a division of Canadian Pacific Limited (CP Rail), for the transportation of its raw materials and finished products. Freight charges from CP Rail are at published tariff rates. In addition, in the regular conduct of its business, the Company makes use of other services, facilities and products of the Canadian Pacific organization. These transactions are at rates and terms similar to those for unrelated customers.

13. Segmented Information

1. The Company operates in three industry segments:

   Mining and Integrated Metals

   Principally the mining, processing, smelting, and refining of lead, zinc, copper, silver and gold into concentrates and refined metal.

   Fertilizers and Chemicals

   Principally the production of potash, ammonia, urea, phosphates, nitrates and sulphuric acid.

   Other Operations

   Principally metal products and electric power distribution.

2. Sales to other segments are accounted for at prices which approximate market.
3. Investment income and certain corporate expenditures and assets relating to the overall direction and management of the Company's activities are not allocated to industry segments.
4. Canadian export sales amounted to $552.7 million (1980: $660.2 million).

(continued on page 27)

Segmented Information

Year Ended December 31, 1981
(Millions)

By Industry Segment	Mining and Integrated Metals 1981	Mining and Integrated Metals 1980	Fertilizers & Chemicals 1981	Fertilizers & Chemicals 1980	Other Operations 1981	Other Operations 1980	Consolidated 1981	Consolidated 1980
Revenue								
Sales to external customers	$ 732	$ 850	$ 462	$ 390	$ 223	$ 203	$1,417	$1,443
Sales to other segments	38	33	5	3	[illegible]	1		
	$ 770	$ 883	$ 467	$ 393	$ 226	$ 204		
Earnings								
Operating profit before unallocated items below	$ 72	$ 210	$ 97	$ 94	$ 30	$ 25	$ 199	$ 329
General mineral exploration							(20)	(13)
Interest on long-term debt							(51)	(25)
Corporate (net)							(1)	1
Income and resource taxes							(51)	(119)
Earnings before minority interest, loss on translation, equity in earnings of associates and extraordinary item							$ 76	$ 173
Identifiable Assets								
Segment assets								
— Operating	$ 593	$ 685	$ 381	$ 369	$ 185	$ 181	$1,159	$1,235
— Undeveloped properties and construction in progress	578	257	23	2	14	10	615	269
	$1,171	$ 942	$ 404	$ 371	$ 199	$ 191	1,774	1,504
Corporate assets							124	30
Investment in associated and other companies							130	118
Total Assets							[illegible]	$1,652
Depreciation, Depletion and Amortization	$ 52	$ 44	$ 22	$ 20	$ 10	$ 10	$ 84	$ 74
Capital Expenditures	$ 262	$ 237	$ 29	$ 18	$ 43	$ 25	$ 334	$ 280

By Geographic Region	Canada 1981	Canada 1980	United States 1981	United States 1980	Other Countries 1981	Other Countries 1980	Consolidated 1981	Consolidated 1980
Revenue								
Sales to external customers	$ 973	$1,019	$ 366	$ 341	$ 78	$ 83	$1,417	$1,443
Sales to other regions	120	103	8	20	—	—		
	[illegible]	$1,122	$ 374	$ 361	$ 78	$ 83		
Earnings								
Operating profit before unallocated items	$ 145	$ 256	$ 32	$ 50	$ 22	$ 23	$ 199	$ 329
Identifiable Assets								
Regional assets								
— Operating	$ 910	$ 971	$ 169	$ 143	$ 80	$ 121	$1,159	$1,235
— Undeveloped properties and construction in progress	579	240	28	22	[illegible]	7	615	269
	[illegible]	$1,211	$ 197	$ 165	$ 88	$ 128	$1,774	$1,504
Depreciation, Depletion and Amortization	$ 57	$ 50	$ 17	$ 16	$ 10	$ 8	$ 84	$ 74
Capital Expenditures	$ 286	$ 248	$ 39	$ 25	[illegible]	$ 7	$ 334	$ 280

Five Year Financial Summary

(All dollar amounts in millions except per share figures)

	1981	1980	1979	1978	1977
Operations					
Sales of products and services	$1,416.9	$1,442.7	$1,273.9	$ 901.2	$ 759.2
Net earnings	70.3	171.1	204.6	68.2	63.9
— per common share	3.35	9.54	11.57	3.64	3.52
Funds from operations	201.3	307.7	325.7	143.7	137.7
— per common share	10.52	17.54	18.69	8.08	7.87
Dividends on common shares	75.2	75.2	80.9	34.0	39.1
— per common share	4.10	4.40	4.75	2.00	2.30
Capital expenditures	333.7	280.3	150.1	87.4	80.8
Financial Position					
Assets:					
Working capital	$ 292.0	$ 323.7	$ 275.2	$ 211.8	$ 165.5
Fixed assets (net)	1,242.4	909.9	645.5	564.3	556.9
Investments and other assets	151.4	129.6	166.0	161.0	151.6
	$1,685.8	$1,363.2	$1,086.7	$ 937.1	$ 874.0
Financed by:					
Long-term debt	$ 566.7	$ 329.0	$ 226.0	$ 234.9	$ 249.5
Income taxes not currently payable	219.2	172.9	122.4	93.9	85.6
Minority interests	45.4	90.4	54.8	42.4	51.4
Shareholders' equity	854.5	770.9	683.5	565.9	487.5
	$1,685.8	$1,363.2	$1,086.7	$ 937.1	$ 874.0
Return on assets	7.7%	16.4%	23.7%	9.5%	9.0%
Return on common shareholders' equity	9.3%	26.2%	37.7%	12.9%	12.4%
Number of employees at year-end	12,643	12,296	11,254	10,539	10,898
Total employment costs	$ 416.1	$ 341.8	$ 278.5	$ 239.7	$ 223.4
Market price per common share (Toronto Stock Exchange) — High	$72	$81	$55-1/2	$34-3/4	$38-3/8
— Low	$43-3/4	$47-1/2	$31-5/8	$23	$27-5/8

Principal Offices

Head Office
Suite 2300
200 Granville Street,
Vancouver, British Columbia V6C 2R2

Group Offices

Canada
Trail, British Columbia
Calgary, Alberta
Yellowknife, Northwest Territories

Europe
London, England

U.S.A.
Spokane, Washington

Research Centres

Trail, British Columbia
Sheridan Park, Ontario

Sales Offices

Cominco Ltd.
Vancouver, British Columbia
Toronto, Ontario
Calgary, Alberta

Cominco American Incorporated
Spokane, Washington
Chicago, Illinois
Fargo, North Dakota
Minneapolis, Minnesota
Lincoln, Nebraska
Amarillo, Texas

Cominco (U.K.) Limited
London and Manchester, England

Operating Mines

Ardlethan
New South Wales, Australia

Black Angel
Greenland

Cleveland
Tasmania, Australia

Con
Northwest Territories, Canada

Fording Coal
British Columbia, Canada

Hondeklip
South Africa

Jersey
British Columbia, Canada

Magmont
Missouri, U.S.A.

Pine Point
Northwest Territories, Canada

Polaris
Northwest Territories, Canada

Que River
Tasmania, Australia

Rubiales
Spain

Sullivan
British Columbia, Canada

Vade
Saskatchewan, Canada

Warm Springs
Montana, U.S.A.

Metal Production

Cominco Ltd.
British Columbia

Cominco Binani Zinc Limited
India

Hawaiian Western Steel Limited
Hawaii, U.S.A.

Mitsubishi Cominco Smelting Company Limited
Japan

Western Canada Steel Limited
British Columbia
Alberta

Metal Fabrication

The Canada Metal Company Limited
Quebec
Ontario
Manitoba
Alberta
British Columbia

Cominco Electronic Materials Incorporated
Spokane, Washington

National Hardware Specialties Limited
Ontario

Western Canada Steel Limited
British Columbia

Chemical and Fertilizer Production

Cominco Ltd.
British Columbia
Alberta

Cominco American Incorporated
Nebraska
Texas

Cominco Binani Zinc Limited
India

Exploration Offices

Cominco Ltd.
Vancouver, Vernon, Cranbrook, British Columbia
Toronto, Ontario
Whitehorse, Yukon

Cominco American Incorporated
Spokane, Washington
Anchorage, Alaska
St. Charles, Missouri

Cominco Europe Limited
London, England

Cominco Espana S.A.
Madrid, Spain

Cominco France S.A.
Paris, France

Aberfoyle Limited
Melbourne, Australia

Compania Minera Constelacion S.A. de C.V.
Guadalajara, Mexico

Mineracao Cominco Ltda.
Rio de Janeiro, Brazil

Eland Exploration (Pty.) Ltd.
Johannesburg, S. Africa

Cominco Chile Ltda.
Santiago, Chile

Principal Subsidiaries and Associated Companies

	Cominco Ownership		Head Office
Aberfoyle Limited	47%	N. A. Gilberthorpe Chairman and Chief Executive Officer	Melbourne, Australia
Bethlehem Copper Corporation	100%	R. P. Taylor President and Chief Executive Officer	Vancouver, British Columbia
The Canada Metal Company Limited	50%	P. N. Summers President and Chief Executive Officer	Toronto, Ontario
Cominco American Incorporated	100%	L. D. Demand President and Chief Executive Officer	Spokane, Washington, U.S.A.
Cominco Binani Zinc Limited	40%	G. Binani Chairman	Calcutta, India
Cominco Europe Limited	100%	P. Hansen Chairman and Managing Director	London, England
Cominco (U.K.) Limited	100%	D. M. Silver Chairman and Managing Director	London, England
Exploracion Minera Internacional Espana S.A.	47%	F. F. Prugger Managing Director	Villafranca del Bierzo, Spain
Fording Coal Limited	40%	J. H. Morrish President and Chief Executive Officer	Calgary, Alberta
Mitsubishi Cominco Smelting Company, Limited	45%	T. Nagano President	Tokyo, Japan
Pine Point Mines Limited	69%	R. P. Douglas President and Chief Executive Officer	Yellowknife, N.W.T.
Valley Copper Mines Limited (N.P.L.)	100%	R. P. Taylor President	Vancouver, British Columbia
Vestgron Mines Limited	63%	O. E. Owens President	Yellowknife, N.W.T.
Greenex A/S	63%	E. Sprunk-Jansen Managing Director	Copenhagen, Denmark
Western Canada Steel Limited	100%	M. C. D. Hobbs Chairman and Chief Executive Officer	Vancouver, British Columbia
Hawaiian Western Steel Limited	51%	G. W. Hogue General Manager	Ewa, Hawaii
West Kootenay Power and Light Company, Limited	common - 100% preferred - 30%	J. A. Drennan President and Chief Executive Officer	Trail, British Columbia

Transfer Agents and Registrars

The Royal Trust Company
555 Burrard Street
Vancouver, B.C.
V6B 3R7

333 - 7th Avenue S.W.,
Calgary, Alberta
T2P 2Z1

*330 St. Mary Avenue
Winnipeg, Manitoba
R3C 2Z5

23rd Floor, Royal Trust Tower
Toronto Dominion Centre
P.O. Box 7500 — Station A
Toronto, Ontario
M5W 1P9

630 Dorchester Blvd. W.
Montreal, Quebec
H3B 1S6

**One King Street
St. John, N.B.
E2L 1G1

Bank of Montreal Trust Company
**2 Wall Street
New York, N.Y.
10005

Stock Exchanges
Vancouver, Montreal,
Toronto (Canada)
**American (U.S.A.)

*Series A Preferred Shares Only

**Common Shares Only

Share Valuation
For Canadian capital gain tax purposes the valuation day value of Cominco Ltd. shares on December 22, 1971 as established by the Department of National Revenue was $22.88.

Stock Holdings

The number of registered holdings of voting stock on March 11, 1982 was 26,696.

The distribution of the voting rights on that date was as follows:

94.15%
Canada

4.99%
United States

.47%
United Kingdom

.39%
Other Countries

Dividends

Cominco's practice is to declare dividends quarterly payable towards the end of each calendar quarter.

Dividends are paid in Canadian dollars to all common shareholders who reside in Canada and in U.S. dollars to all other common shareholders. Common shareholders resident in Canada may elect to receive dividends in U.S. dollars and common shareholders not resident in Canada may elect to receive dividends in Canadian dollars upon forwarding a written request to any office of the Company's principal Registrar and Transfer Agent, The Royal Trust Company, shown in this Report.

Sources of Shareholder Information

The Annual Report is one of several sources of information available to Cominco shareholders. A description of other regularly published sources is given below.

- Interim reports are normally mailed in May, August, and November. These reports contain financial results and other news about the Company.
- The Information Circular, Proxy and Annual Report are mailed to each registered shareholder in March. The Information Circular describes the matters to be considered at the Annual General Meeting.

To permit shareholders who do not hold Cominco stock in their own names to receive published information on a timely basis, the Company has established a special mailing list. Shareholders on the list will have reports mailed directly to them, rather than through a third party. To be placed on the direct mailing list, shareholders should write to the Public Relations and Advertising Department, Cominco Ltd., 200 Granville Street, Vancouver, B.C., Canada, V6C 2R2.

Directors and Officers

Directors

*M. N. ANDERSON
Chairman and Chief Executive Officer
Cominco Ltd., Vancouver

*W. J. BENNETT
Consultant
Iron Ore Company of Canada,
Montreal

†H. C. BENTALL
Chairman, the Bentall Group
Vancouver

*F. S. BURBIDGE
Chairman and Chief Executive Officer
Canadian Pacific Limited, Montreal

*F. E. BURNET
Corporate Director
Spokane

R. W. CAMPBELL
Vice-Chairman, Canadian Pacific
Enterprises Limited, Calgary

*H. T. FARGEY
Executive Vice-President at Toronto
Cominco Ltd., Toronto

R. HOUGEN
President
Hougen's Limited, Whitehorse

†R. A. MacKIMMIE, Q.C.
Barrister and Solicitor
MacKimmie Matthews
Calgary

P. A. NEPVEU
Chairman of the Board
CIP Inc.
Montreal

†S. E. NIXON
Corporate Director and Financial
Consultant
Montreal

*I. D. SINCLAIR, Q.C.
Chairman and Chief Executive Officer
Canadian Pacific Enterprises Limited
Montreal

W. J. STENASON
President
Canadian Pacific Enterprises Limited
Montreal

*W. G. WILSON
President
Cominco Ltd., Vancouver

*Members of Executive Committee

†Members of Audit Committee

Officers

M. N. ANDERSON
Chairman and Chief Executive Officer

W. G. WILSON
President

H. T. FARGEY
Executive Vice-President at Toronto

R. P. DOUGLAS
Senior Vice-President, Operations

I. D. SINCLAIR, Q.C.
Vice-President

R. R. STONE
Vice-President, Finance

P. A. MANSON
Vice-President Law and General
Counsel

O. E.OWENS
Vice-President, Exploration

K. H. SPURR
Vice-President, Metal Sales

J. GIOVANETTO
Vice-President, Human Resources

W. J. ROBERTSON
Vice-President, Prairie Group

J. E. FLETCHER
Vice-President, B.C. Group

H. M. GIEGERICH
Vice-President, Northern Group

A. V. MARCOLIN
President, Electronic Materials Division

K. S. BENSON
Corporate Secretary

L. D. MARGERM
Treasurer

A. D. MILLER
Comptroller

Cominco Ltd.
Suite 2300, 200 Granville Street, Vancouver, British Columbia V6C 2R2

ISSN 0711-7167

LITHO'D IN CANADA

AR48

Cominco Ltd.

Circular Respecting Issue of Rights to Subscribe for 1,709,065 Common Shares

Record Date	March 25, 1981.
Expiry Date	April 20, 1981.
Subscription Price	$58.00 per Common Share.
Subscription Basis	One (1) Common Share for each Ten (10) Common Shares held on the Record Date.
Additional Common Shares	Common Shares which are not subscribed for by the Expiry Date will be pro-rated among applicants for additional Common Shares.
Approximate Net Proceeds to Cominco Ltd.	$98,700,000, after deduction of expenses.

Rights are exercisable through the following offices of The Royal Trust Company:

The Royal Trust Company
Royal Trust Tower, Bentall Centre
555 Burrard Street, P.O. Box 2301
Vancouver, British Columbia
V6B 3R7

The Royal Trust Company
700 Dome Tower
333-7th Avenue S.W.
Toronto-Dominion Square
Calgary, Alberta
T2P 2Z1

The Royal Trust Company
Corporate Trust Department
23rd Floor, Royal Trust Tower
Toronto-Dominion Centre
P.O. Box 7500 — Station A
Toronto, Ontario
M5W 1P9

The Royal Trust Company
Corporate Trust Department
1st Floor
630 Dorchester Boulevard W.
Montreal, Quebec
H3B 1S6

The Royal Trust Company
One King Street
Saint John, New Brunswick
E2L 1G1

March 13, 1981

Cominco Ltd./200 Granville Street/Vancouver, B.C./Canada V6C 2R2
Tel. (604) 682-0611 / Telex 04-507730

MN Anderson
Chairman and
Chief Executive
Officer

March 30, 1981

To Holders of Common Shares Resident in Canada:

In my letter of February 26, 1981, I advised you that your directors had approved in principle the offering by the Corporation to its common shareholders of rights to subscribe for Common Shares of the Corporation. The terms and conditions of the rights offering have now been finalized and the following are enclosed for your attention:

1. a transferable warrant granting you your rights; and
2. a Circular which describes the terms and conditions of the rights offering and contains information relating to the Corporation.

Your Warrant is Valuable. Do Not Destroy or Lose It. Your Warrant rights expire unless exercised by April 20, 1981 and will be void and of no value after that date.

The warrant entitles you to one right for each Common Share which you own according to our records at the close of business on March 25, 1981. The number of rights to which you are entitled is shown in the upper right-hand corner of the warrant. Ten rights and $58.00 are required to subscribe for one Common Share.

In addition, the warrant entitles you to apply for additional Common Shares at a price of $58.00 per share. Those Common Shares, if any, which remain unsubscribed on expiration of the offering on April 20, 1981, will be allocated pro rata to applicants.

The offer of Common Shares granted by the warrant may be accepted only by completing the warrant and delivering the same to the Subscription Agent at one of the Subscription Offices listed on the face of the warrant not later than April 20, 1981.

You should read the instructions on the back of the warrant carefully and specify on the forms provided how you wish to use the rights to which you are entitled. In this regard please note that payment of the subscription price for Common Shares subscribed by completing Form 1 or Form 1 and Form 2 on the warrant must accompany the warrant and reach the Subscription Agent before the offer expires. The subscription price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of The Royal Trust Company. Payment for additional Common Shares applied for by completing Form 3 on the warrant is not required until the number allocated to each applicant has been determined and notice thereof and demand for payment has been made by the Subscription Agent.

It is important that the rights be used for subscription for shares or be sold for your account before they expire and become valueless. It is your responsibility to ensure that the warrant reaches the Subscription Agent at any one of its Subscription Offices before it expires at the close of business on April 20, 1981. If you choose to mail your warrant to the Subscription Agent, you should allow sufficient mailing time for your warrant to reach the Subscription Agent by the close of business on April 20, 1981.

It is expected that the rights will be traded on the Vancouver, Toronto and Montreal Stock Exchanges until noon, April 20, 1981. Rights may be purchased or sold personally or through the usual investment channels. Certificates for the Common Shares purchased through use of warrants, including additional shares allocated to applicants, will be delivered as soon as practicable by registered mail to the address of the subscriber appearing on the records of the Corporation or to the address of the subscriber appearing on the warrant.

If you require any further information, you should consult The Royal Trust Company at any of the Subscription Offices listed on the warrant.

We recommend that you exercise your rights to purchase the Common Shares to which you are entitled and would like to thank you once again for your continued support.

Yours sincerely,

Chairman and Chief
Executive Officer

Table of Contents

Undertaking of Majority Shareholder 3
Expiry Date 3
Proceeds and Purpose of Sale 3
Warrants 3
Subscription Offices 4
How to Use the Warrant 4
To Subscribe 4
To Apply for Additional Common Shares 5
To Sell or Transfer Rights 5
To Divide or Combine Warrants 5
Signatures 5
Delivery of Share Certificates 5
Services of Subscription Agent 6
Shareholders Outside Canada 6
Undeliverable Warrants 6
Canadian Income Tax Considerations 6
Description of Common Shares 7
Eligibility for Investment 7
The Corporation 7
Business of Cominco 7
Sales and Earnings 8
Production — Metal Mining 9
Production — Metallurgical Operations 10
Production — Chemicals and Fertilizers 11
Other Business Activities and Investments 11
Exploration and Ore Reserves 12
Capital Expenditures 13
Employee Relations 13
Environmental Protection 13
Associated Companies 13
Consolidated Capitalization 15
Directors and Principal Officers 16
Remuneration of Directors and Officers 17
Principal Holder of Common Shares 18
Price Range and Trading Volume of Common Shares 18
Dividend Record 18
Auditors, Transfer Agents and Registrars 19
Summary of Significant Accounting Policies 20
Auditors' Report 21
Consolidated Financial Statements 22

Unless otherwise indicated, currency is expressed in Canadian dollars and tons mean short tons.

To Common Shareholders of Cominco Ltd. Resident in Canada:

Cominco Ltd. (the "Corporation") is issuing warrants to or for the benefit of each registered holder ("common shareholder") of its Common Shares of record at the close of business on March 25, 1981 granting rights to subscribe for 1,709,065 Common Shares. Warrants are issued on the basis of one (1) right for each Common Share held on the record date. Ten (10) rights and $58.00 are required to subscribe for each Common Share. Fractional Common Shares will not be issued, and subscriptions will not be accepted from persons resident outside Canada. Warrant holders are also entitled to apply for additional Common Shares. Common shareholders resident in Canada will be entitled to exercise the rights as described herein. Common shareholders who are not resident in Canada will be treated in the manner described under "Shareholders Outside Canada" on page 6.

Undertaking of Majority Shareholder

Canadian Pacific Enterprises Limited ("CP Enterprises"), the majority shareholder of the Corporation, has undertaken by letter to the Corporation dated February 23, 1981 to subscribe for all Common Shares for which it is issued rights, to exercise fully its entitlement to apply for additional Common Shares and to purchase at the subscription price all Common Shares not purchased by other subscribers and applicants for additional Common Shares. CP Enterprises owns 9,163,775 Common Shares representing approximately 54% of the outstanding Common Shares. Its head office address is Suite 1900, Place du Canada, Montreal, Quebec, H3B 2N2.

Expiry Date

The rights granted by the warrants will expire at the close of business on April 20, 1981 at the respective Subscription Offices listed on page 4 and all rights not exercised prior thereto will be void and of no value.

Proceeds And Purpose Of Sale

The estimated net proceeds to be derived by the Corporation from the sale of the 1,709,065 Common Shares are $98,700,000 after deduction of expenses. The net proceeds will be added to the general funds of the Corporation and will not be allocated to any particular use. Reference is made to "Business of Cominco — Capital Expenditures" on page 13, which includes information on planned capital expenditures in 1981 and 1982.

Warrants

A common shareholder to whom a warrant is issued or his transferee (other than common shareholders or transferees resident outside Canada) (a "holder") is entitled to subscribe for up to that number of Common Shares which is equal to the number of rights shown on the warrant (and any other like warrants received or acquired by the holder) divided by ten (10) at a price of $58.00 per Common Share, on the terms and conditions set forth in the warrant. A fully transferable warrant granting the right to a holder thereof resident in Canada to subscribe for Common Shares is enclosed.

It is expected that the rights have value and that they will be traded on the Vancouver, Toronto and Montreal Stock Exchanges until shortly before the expiry date.

If the number of rights represented by the warrant is not an exact multiple of ten (10), additional rights may be purchased or excess rights sold. On application to any of the Subscription Offices, the warrant may be combined with or divided into other warrants, but no warrant for a fraction of a right will be issued. No subscription for a fraction of a Common Share will be accepted.

The Corporation's offer of Common Shares granted by the warrant may be accepted only by completing the warrant in accordance with the instructions set out therein and described below.

The warrant does not entitle the holder to any claim whatsoever as a shareholder of the Corporation.

Subscription Offices

The Royal Trust Company (the "Subscription Agent") at each of the following offices (the "Subscription Offices") has been appointed by the Corporation to receive subscriptions, applications for additional Common Shares and payments from subscribers, and to perform the services described under the heading "Services of Subscription Agent".

The Royal Trust Company
700 Dome Tower
333-7th Avenue S.W.
Toronto-Dominion Square
Calgary, Alberta
T2P 2Z1

The Royal Trust Company
Corporate Trust Department
1st Floor
630 Dorchester Boulevard W.
Montreal, Quebec
H3B 1S6

The Royal Trust Company
Royal Trust Tower, Bentall Centre
555 Burrard Street, P.O. Box 2301
Vancouver, British Columbia
V6B 3R7

The Royal Trust Company
Corporate Trust Department
23rd Floor, Royal Trust Tower
Toronto-Dominion Centre
P.O. Box 7500 — Station A
Toronto, Ontario
M5W 1P9

The Royal Trust Company
One King Street
Saint John, New Brunswick
E2L 1G1

How to Use the Warrant

By completing the appropriate Form(s) on the warrant in accordance with the instructions outlined below, a holder may:-

(a) subscribe for Common Shares and sell any excess rights (Form 1) or purchase additional rights to round out the subscription (Form 2); and

(b) apply to purchase additional Common Shares (Form 3); or

(c) transfer or sell rights (Form 4); or

(d) divide or combine the warrant (Form 5).

To Subscribe

To determine the maximum whole number of Common Shares for which subscription may be made under a warrant, divide the number of rights granted by the warrant by ten (10).

A holder may subscribe for the resulting whole number of Common Shares (ignoring fractions) or any lesser whole number of Common Shares by completing Form 1 on the warrant and delivering the warrant and payment of $58.00 for each Common Share subscribed for to one of the Subscription Offices prior to the close of its business on April 20, 1981. By so doing the holder authorizes the Subscription Agent to endeavour to sell for the account of the holder any rights which are not exhausted by his subscription for Common Shares.

If the result of dividing the number of rights granted by a warrant by ten (10) is not a whole number, the holder may subscribe for the nearest higher whole number of Common Shares by completing Form 1 and Form 2 on the warrant and delivering the warrant and payment of $58.00 for each Common Share subscribed for to one of the Subscription Offices prior to the close of its business on April 20, 1981. By so doing the holder authorizes the Subscription Agent to endeavour to purchase on behalf of the holder rights at prevailing market prices in order to round out the subscription for the whole number of Common Shares.

Completion of Form 1 will constitute a representation to the Corporation that the holder is not a person resident outside Canada or the agent of any such person.

The subscription price is payable in Canadian funds by certified cheque, bank draft or money order drawn to the order of The Royal Trust Company. All payments together with the completed warrant must be delivered to one of the Subscription Offices prior to the close of its business on April 20, 1981.

To Apply for Additional Common Shares

Each holder is entitled to apply for additional Common Shares, if available, up to but not exceeding the number of Common Shares which he subscribed for by completing Form 1, at the price of $58.00 for each additional Common Share. The number of Common Shares available for this purpose will be the difference, if any, between 1,709,065 Common Shares and the total number of Common Shares subscribed for by the expiry date. After the total number of additional Common Shares applied for has been determined by the Subscription Agent, the number of additional Common Shares, if any, which have not been subscribed for by the expiry date and are available for sale to applicants for additional Common Shares, will be allocated pro rata to applicants calculated to the nearest whole number of shares.

To apply for additional Common Shares, holders must complete Form 3 as well as Form 1 on the warrant and deliver the warrant to one of the Subscription Offices prior to the close of its business on April 20, 1981. Although payment must accompany the subscription for Common Shares made by completing Form 1, no payment for additional Common Shares should accompany an application for additional Common Shares.

Applicants for additional Common Shares will be notified as soon as possible after the expiry date of the number of additional Common Shares, if any, allocated to them and the subscription price therefor which shall be due and payable within 14 days after mailing of notification by the Subscription Agent. If full payment is not received by the due date, the right to additional Common Shares shall be void.

To Sell or Transfer Rights

A holder, instead of exercising his rights to subscribe for Common Shares, may sell or transfer his rights personally or through the usual investment channels (such as stockbrokers or investment dealers) by completing Form 4. If a warrant is transferred in blank, the Corporation and the Subscription Agent may thereafter treat the bearer thereof as the absolute owner for all purposes and neither the Corporation nor the Subscription Agent shall be affected by notice to the contrary.

To Divide or Combine Warrants

The warrant may be divided or combined with other warrants by completing Form 5 and delivering the applicable warrant(s) to one of the Subscription Offices in time for new warrant(s) to be issued and used.

A holder may obtain a new warrant by surrendering his warrant at one of the Subscription Offices in time for a new warrant to be issued and used.

Signatures

When signing any one or more of the Forms on the warrant, the signature must correspond exactly with the name of the holder shown on the face of the warrant.

If the warrant is transferred (Form 4), the signature of the transferee on any one or more of the Forms on the warrant must correspond exactly with the name of the transferee shown on Form 4. The transferee may exercise all rights of a holder without obtaining a new warrant.

The transferor's signature on Form 4 must be guaranteed by a Canadian chartered bank, or by a member of any of the Vancouver, Toronto or Montreal Stock Exchanges, or must be otherwise guaranteed to the satisfaction of the Subscription Agent.

If a Form is signed by an officer of a corporation or any person acting in a fiduciary or representative capacity, the warrant must be accompanied by evidence of authority satisfactory to the Subscription Agent.

Delivery of Share Certificates

Certificates representing Common Shares purchased through the exercise of rights, including additional Common Shares allocated to applicants, will be delivered as soon as practicable by registered mail to the address of the subscriber appearing in the records of the Corporation or to the address of the transferee appearing on the warrant.

Services of Subscription Agent

The Corporation will pay for all services of the Subscription Agent relating to the purchase, sale or exercise of rights, applications for additional Common Shares, the division and combination of warrants and the issue of new warrants. The Corporation will not pay any other fees or service charges. A purchase or sale of rights by the Subscription Agent will be subject to the ability of the Subscription Agent to find a seller or purchaser of rights, as the case may be. The Subscription Agent may offset buying and selling orders on the basis of market price. The Subscription Agent will send an account for rights purchased or a remittance for rights sold, as the case may be, making due provision for any applicable brokerage commission.

Shareholders Outside Canada

WARRANTS ARE NOT BEING FORWARDED TO ANY COMMON SHAREHOLDER WHOSE RECORDED ADDRESS IS OUTSIDE CANADA. These common shareholders of record on the record date, March 25, 1981, will be sent a letter advising that a single warrant for all their rights has been issued to the Subscription Agent, which will hold the rights for the benefit of these shareholders, and will, prior to the expiry date, attempt to sell the rights.

The Subscription Agent will make the sales on the date or dates and at the price or prices it determines in its discretion. The net proceeds received by the Subscription Agent from sales of these rights will be divided pro rata among the common shareholders resident outside Canada, and the Subscription Agent will mail cheques therefor as soon as practicable to non-resident common shareholders at their addresses recorded in the books of the Corporation. The Subscription Agent has been instructed to make sales only in Canada.

The warrants and the Common Shares to which the warrants relate are not registered under the Securities Act of 1933, as amended, of the United States of America. The offer of Common Shares granted by the warrants is not made in the United States of America or any territory or possession thereof and is not, and under no circumstances is to be construed as, an offering of any Common Shares for sale in the United States of America or any territory or possession thereof or an offering to any resident of the United States of America or any territory or possession thereof or a solicitation therein of any offer to buy any Common Shares of the Corporation. Accordingly, neither a subscription nor an application for additional Common Shares will be accepted from any person, or his agent, who appears to be, or who the Corporation has reason to believe is, a resident of the United States of America or its territories or possessions.

Undeliverable Warrants

The Subscription Agent will attempt to sell rights evidenced by any warrants returned to it as undeliverable, and will hold the net proceeds for the account of the common shareholders whose warrants were not delivered.

Canadian Income Tax Considerations

The general Canadian income tax consequences to the common shareholders and transferees resident in Canada are:

(a) the value of any rights received by any common shareholder resident in Canada will not be included in income for income tax purposes;

(b) a right received by a common shareholder resident in Canada will have a cost of nil, and any Common Share acquired by the shareholder as a result of the exercise of the right will have a cost equal to the subscription price;

(c) any gain realized on the disposition of a right by any holder resident in Canada who is not a trader or dealer in securities will constitute a capital gain, one half of which will be included in the computation of his income;

(d) any gain realized on the disposition of a right by any holder resident in Canada who is a trader or dealer in securities will be included in the computation of his income.

The foregoing summary is not intended to be exhaustive and professional tax advisers should be consulted.

Description of Common Shares

As of the date hereof 17,090,653 Common Shares are issued and outstanding as fully paid and non-assessable. The common shareholders are entitled to one vote per Common Share at all meetings of common shareholders. All Common Shares outstanding after this issue of 1,709,065 Common Shares will be fully paid and non-assessable and will rank equally in respect of dividend payments and upon winding-up or dissolution of the Corporation.

Application has been made to list the 1,709,065 Common Shares to be issued on the exercise of rights on the Vancouver, Toronto and Montreal Stock Exchanges.

Eligibility for Investment

In the opinion of counsel for the Corporation, the Common Shares qualify as investments in which:

(a) insurance companies registered under Part III of the Canadian and British Insurance Companies Act (Canada) may invest their funds without resorting to the provisions of subsection (4) of section 63 of that Act;

(b) insurance companies registered under the Foreign Insurance Companies Act (Canada) may vest their funds in trust without resorting to the provisions of section 4 of Schedule 1 to that Act;

(c) trust companies to which the Trust Companies Act (Canada) applies may invest their own funds without resorting to the provisions of subsection (6) of section 68 of that Act;

(d) loan companies to which the Loan Companies Act (Canada) applies may invest their funds without resorting to the provisions of subsection (5) of section 60 of that Act;

(e) the funds of pension plans registered under the Pension Benefits Standards Act (Canada) may be invested without resorting to the provisions of section 4 of Schedule III to the Regulations under that Act;

(f) a trust governed by a registered retirement savings plan, a registered home ownership savings plan or a deferred profit sharing plan may invest its funds under the Income Tax Act (Canada) and the regulations thereunder;

(g) a trust company registered under The Loan and Trust Corporations Act (Ontario) may invest its own funds and moneys received for guaranteed investment or as deposits without resorting to the provisions of section 154 of that Act;

(h) a loan corporation registered under The Loan and Trust Corporations Act (Ontario) may invest its funds without resorting to the provisions of section 151 of that Act;

(i) a pension plan registered under The Pension Benefits Act (Ontario) may invest its funds without resorting to the provisions of subsection (4) of section 14 of the Regulations under that Act; and

(j) an insurer as defined in section 382 of The Insurance Act (Ontario) may invest its funds without resorting to the provisions of subsection (4) of section 383 of that Act.

The Corporation

The Corporation was incorporated on January 9, 1906 by Letters Patent under the laws of Canada and was continued under the Canada Business Corporations Act on May 1, 1980. Its head office address is 2300-200 Granville Street, Vancouver, British Columbia, V6C 2R2. Unless the context otherwise requires, the term "Cominco" means the Corporation and all its subsidiaries (including, since October 31, 1980, Bethlehem Copper Corporation).

Business of Cominco

Cominco is one of the world's largest producers of zinc and lead and is a major producer of fertilizers, chemicals and smelter by-products. Cominco carries out exploration on both a national and an international scale. This has led to significant ore discoveries and the establishment of mining, manufacturing and processing operations. Cominco's mining interests also include gold, tin, tungsten, potash, copper and coal.

Sales and Earnings

Sales of products and services by Cominco and net earnings for the five years ended December 31, 1980 were as follows:

	1980	1979	1978	1977	1976
			(millions, except per share data)		
Sales					
Refined zinc and refined lead	$ 362	$ 396	$ 291	$ 250	$ 234
Zinc and lead concentrates	125	169	95	70	88
Chemicals, fertilizers and potash	422	336	288	208	164
Other processed and manufactured goods	460	308	178	170	156
Other products and services	74	65	49	61	33
Total sales	$1,443	$1,274	$ 901	$ 759	$ 675
Net Earnings (1)	$ 169	$ 204	$ 67	$ 63	$ 49
Net Earnings per Common Share	$ 9.44	$11.52	$ 3.59	$ 3.50	$ 2.75

(1) Reference is made to Note 12 "Restatement of Prior Years' Figures" in Consolidated Financial Statements.

The geographic distribution of sales for the year ended December 31, 1980 was approximately United States 46%, Canada 32%, and other 22%.

During 1978 base metal markets were still recovering from the oversupply situation which had prevailed since 1975. Cominco resumed full production of zinc during 1978. Firmer lead prices and strong demand for most products had a favourable impact on earnings in 1978. In 1979 the combination of strong lead markets, high prices for gold and silver, and the relationship of the Canadian dollar to other major currencies contributed to a new high for sales and record earnings.

The downturn in the United States economy in 1980 had an adverse impact on earnings from the mining and refining of metals. Market prices for lead in 1980 averaged US 42.5¢ per pound, 10¢ per pound lower than in 1979. These, combined with lower production and increased costs at the Trail lead smelter, were the principal factors in the decrease in earnings. While market prices for zinc were marginally higher in 1980 and the quantity of refined zinc sold was also up over 1979, those improvements were more than offset by increased costs of production and reduced sales of zinc concentrate. Gold and silver earnings were up considerably over 1979 due to higher prices, particularly in the early part of the year. Potash production, sales volumes and prices in 1980 were substantially higher than in 1979. Other chemical and fertilizer sales volumes were virtually unchanged but prices throughout the year were generally higher. Earnings from chemicals, fertilizers and potash were substantially ahead of 1979.

The outlook for metals in 1981 will depend on the level of world economic activity. As the new year began world zinc concentrate inventories remained low while demand for refined zinc was in approximate balance with supply and prices were firm. World demand for refined lead weakened towards the end of 1980 resulting in a slight increase in world stocks and declining prices. The 1981 outlook for chemicals, fertilizers and potash is favourable. Strengthening demand and higher prices are forecast with some offsetting cost increases due to the increased costs of natural gas for nitrogen fertilizers. The continuing low level of the Canadian dollar enhances the Corporation's ability to maintain a profitable position in its export markets.

In consequence of reduced prices for lead, silver and gold, and substantially unchanged prices for zinc with higher costs, net earnings in the first quarter of 1981 will be substantially below the levels for the corresponding quarter in 1980 and 1979.

Cominco's earnings, in common with those of many other non-ferrous metal producers, are sensitive to demand, world prices and fluctuations in currency exchange values. Earnings of Cominco are affected significantly by changes in the world prices for zinc and lead. Current prices for zinc are US 41.25¢ per pound and for lead are US 36.0¢ per pound compared to average prices of US 37.4¢ and US 42.5¢ in 1980. With the continuing escalation in costs of production for the industry, particularly as a result of increased energy costs, a resumption of the long term upward trend in prices for these metals is anticipated. While prevailing market conditions may adversely affect Cominco's earnings in the short term, Cominco is well situated to take advantage of any improvement in market conditions for the two metals.

Production — Metal Mining

Cominco's mine production of zinc and lead in 1980 was 7% and 8%, respectively, of estimated western world mine production.

Over the past 20 years Cominco has brought a number of major new mines into production and its mining activities, which had previously been conducted mainly in British Columbia, have become geographically dispersed. The Pine Point Mines on the south shore of Great Slave Lake, Northwest Territories were brought into production in 1965, and were followed by the Magmont Mine at Bixby in the Missouri Lead Belt in 1968, the Vade Mine near Saskatoon, Saskatchewan in 1969, and the Black Angel Mine at Marmorilik, Greenland in 1973. The Polaris Mine on Little Cornwallis Island in the Canadian Arctic is being prepared to commence production in 1982. Associated companies brought into production the Fording Mine at Elkford, British Columbia in 1972 and the Rubiales Mine in Spain in 1977. The Que River Mine in Tasmania is scheduled to come into production in 1981.

Sullivan Mine

The Sullivan Mine at Kimberley, British Columbia, has been in production for almost 80 years. The ore produced is milled at Kimberley and the output of zinc and lead concentrates is shipped to Cominco's metallurgical plants at Trail, British Columbia, for further processing.

Production from the Sullivan Mine for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Ore milled (1,000 tons)	2,351	2,257	2,324	2,419	2,342
Average zinc grade (%)	2.7(1)	3.7	3.3	3.8	3.9
Average lead grade (%)	3.9	5.0	4.6	3.8	4.0
Average silver grade (ozs./ton)	1.3	1.8	1.8	1.4	1.3

(1) Average grade was affected by high dilution ratios and by substitution of lower grade open pit ore for a shortfall in underground ore resulting from difficult ground conditions.

Con Mine

Cominco's gold mining operations are at the Con Mine at Yellowknife, Northwest Territories, which first produced gold in 1938. This mine has attained increased significance with the discovery of additional ore reserves and the substantial increase in the price of gold over the last few years.

Production from the Con Mine, including the adjoining Rycon Mine (76% owned), for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Ore milled (1,000 tons)	212	217	220	157	151
Average gold grade (ozs./ton)	.48	.46	.55	.62	.62

Pine Point Mines

The Corporation owns 69% of the shares of Pine Point Mines Limited which has mines and a concentrator at Pine Point near Great Slave Lake, Northwest Territories.

The major portion of the zinc concentrates and part of the lead concentrates produced at Pine Point are treated at Cominco's metallurgical plants at Trail. The balance is exported for sale on world markets or sold to associated companies which operate a lead smelter in Japan (45% owned) and a zinc refinery in India (40% owned).

Production from the Pine Point Mines for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Ore milled (1,000 tons)	3,626	3,291	3,290	3,443	3,773
Average zinc grade (%)	5.5	5.5	5.9	5.3	5.3
Average lead grade (%)	2.0	1.9	2.6	2.1	1.7

Magmont Mine

Cominco owns a 50% interest in and operates the Magmont Mine and concentrator at Bixby, Missouri. Lead concentrate from this mine is processed in a nearby custom smelter and Cominco's share of the resulting metal is sold mainly in the United States. Zinc concentrate is sold to refineries in the United States.

Production from the Magmont Mine for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Ore milled (1,000 tons)	1,084	1,096	1,050	1,094	1,070
Average lead grade (%)	8.0	8.2	8.2	7.0	7.5
Average zinc grade (%)	1.0	1.4	1.6	1.4	1.2

Black Angel Mine

The Corporation owns 63% of the shares of Vestgron Mines Limited which, through its wholly-owned subsidiary Greenex A/S, owns and operates the Black Angel Mine and concentrator at Marmorilik, Greenland. Concentrates are shipped from the mine during the shipping season from June to November. Most of the zinc concentrate produced is sold to European refineries and the remainder is processed for Cominco and the resulting metal is sold by Cominco in Europe. The lead concentrate is sold to smelters in Europe.

Production from the Black Angel Mine for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Ore milled (1,000 tons)	714	706	684	610	663
Average zinc grade (%)	13.4	14.5	14.5	15.1	14.7
Average lead grade (%)	5.3	5.5	5.8	6.1	5.2

Jersey Mine

On October 31, 1980 Cominco increased its interest in Bethlehem Copper Corporation ("Bethlehem") from 39% to 64%. On February 2, 1981 its interest was further increased to 93%. Bethlehem operates the Jersey Mine and a concentrator in the Highland Valley of British Columbia. Production from the Jersey and other adjacent mines for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Ore milled (1,000 tons) (1)	6,924	7,193	7,155	6,123	7,456
Average copper grade (%)	.38	.41	.41	.43	.44

(1) Bethlehem became a subsidiary on October 31, 1980.

Production — Metallurgical Operations

Cominco's metallurgical plants at Trail have an annual capacity of 270,000 tons of refined zinc and 150,000 tons of refined lead. Refined silver and gold are produced at Trail and gold bullion is produced at the Con Mine. Production of refined metals by Cominco (including metal produced through other smelters — "tolled") for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Zinc (1,000 tons)					
Trail	233	229	216	223	224
Tolled-Pine Point	6	3	13	5	7
-Black Angel	37	47	39	32	39
	276	279	268	260	270
Lead (1,000 tons)					
Trail	130(1)	140	147	150	142
Tolled-Magmont	34	34	28	33	35
	164	174	175	183	177
Silver (1,000 ozs.)	8,199(1)	9,200	9,436	8,678	8,858
Gold (1,000 ozs.)					
Con Mine	97	95	114	93	90
Trail	24	25	19	15	31
	121	120	133	108	121

(1) In 1980 lead and silver production was reduced due to operating difficulties.

Cominco also produces cadmium, bismuth, indium and a number of other metals as by-products from its smelting and refining operations at Trail.

Cominco operates plants producing steel from scrap metal in Vancouver and Calgary (100% owned) and at Honolulu, Hawaii (51% owned). Production of steel products from these plants for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Steel products (1,000 tons)					
Canada	171	164	165	137	131
Hawaii	49	47	47	31	44
	220	211	212	168	175

Cominco operates a zinc diecasting plant in Dresden, Ontario (99% owned) and a chrome electroplating plant in Wallaceburg, Ontario (99% owned) for the manufacture of hardware products.

Cominco produces ultra-high purity metal products for use in the electronics and other high technology industries. In plants at Trail and at Spokane, Washington, Cominco refines to ultra-high purity diverse metals, including aluminum, arsenic, gallium, gold, indium and tellurium, and produces fine wires, bars, sheets, powders and fabricated products.

Production — Chemicals and Fertilizers

Cominco has produced chemical fertilizers since 1930. It now produces a variety of plant foods which contain three elements essential for plant growth: nitrogen, phosphorus and potassium. Cominco owns and operates chemical and fertilizer plants at Trail and Kimberley, British Columbia, Carseland and Calgary, Alberta, Beatrice, Nebraska and Borger, Texas and a potash mine and plant at Vade, Saskatchewan. The principal products are ammonia, ammonium nitrate, ammonium phosphate, ammonium sulphate, potash and urea which are marketed in western Canada and the mid-western and western United States. Substantial quantities of potash are sold to Canpotex Ltd., an industry marketing corporation, which exports to overseas markets.

The Trail plants have an annual production capacity of 370,000 tons of ammonium phosphate and ammonium sulphate fertilizers and produce and utilize 75,000 tons of ammonia. Metallurgical operations at Trail produce 480,000 tons of sulphuric acid annually as a by-product primarily for use in the manufacture of fertilizers.

The Kimberley plant, which uses phosphate rock from Cominco's Warm Springs Mine in Montana and 314,000 tons of its own production of sulphuric acid, has an annual production capacity of 185,000 tons of ammonium phosphate fertilizer.

The Carseland plant has an annual capacity of 400,000 tons of ammonia and 480,000 tons of urea. The Calgary plant has an annual capacity of 120,000 tons of ammonia and 80,000 tons of urea. Substantial amounts of ammonia produced at these plants are used in the production of urea.

The Borger plant has an annual capacity of 400,000 tons of ammonia and 85,000 tons of urea. Portions of the ammonia are used to produce urea at this plant and to produce ammonium nitrate at the Beatrice plant which has an annual capacity of 170,000 tons.

Potash production at the Vade Mine in Saskatchewan is being increased to 1.2 million tons per year.

Production of chemicals and fertilizers and potash for the five years ended December 31, 1980 was as follows:

	1980	1979	1978	1977	1976
Chemicals and fertilizers (1,000 tons)					
Canada	1,336	1,391	1,294	990	698
United States	442	391	464	494	459
Potash (1,000 tons)	1,009	830(1)	878	707	594

(1) In 1979 potash production was suspended for six weeks due to a strike.

Other Business Activities and Investments

Five hydro-electric plants owned by the Corporation near Trail with an aggregate installed annual capacity of 667,000 kilowatts provide electric power to Cominco's Trail and Kimberley industrial operations. West Kootenay Power and Light Company, Limited (100% owned) operates its own hydro-electric plant and has the use of some of the Corporation's plants to provide electric power to residential and industrial consumers in the Kootenay and Okanagan areas of southern British Columbia. On March 10, 1981 the Corporation announced a plan to make West Kootenay Power independent, under which West Kootenay Power would acquire three of the Corporation's hydro-electric plants and would offer its shares to the public. Implementation of the plan is subject to regulatory approval.

Valley Copper Mines Limited (N.P.L.) (92% owned) and Bethlehem (93% owned) own, respectively, 80% and 20% of the Lake Zone copper deposit in the Highland Valley of British Columbia. To date expenditures by the Corporation in acquisition of shares of Valley Copper and Bethlehem and in exploration of the deposit have amounted to approximately $200 million. The Lake Zone ore body is the largest known porphyry copper deposit in Canada and has the potential to become one of the largest copper mines in the world.

The Corporation's other investments include an 8% interest in Panarctic Oils Limited and a 17% interest in Tara Exploration and Development Company Limited, which has a 75% interest in a major zinc-lead mining operation at Navan, Ireland. Panarctic has reported reserves of 16 trillion cubic feet of natural gas in the Canadian Arctic which are insufficient to support a gas pipeline to markets. Tara reported net earnings of US $148,000 for 1980, down from US $9,047,000 in 1979.

Exploration and Ore Reserves

Cominco's continuing exploration program, which includes assistance to associated companies, has two main objectives: to maintain adequate reserves at operating mines and to discover new ore deposits. Projects in Canada accounted for slightly more than one-half of the total exploration expenditures of $44.1 million in 1980. Zinc and lead remain the main targets of Cominco's exploration program but a significant effort is also directed towards the search for gold, silver, molybdenum, copper, tungsten, tin, diamonds and phosphate rock.

Exploration in 1980 was successful in increasing ore reserves at the Con and Pine Point Mines and in replacing ore mined during the year at the Black Angel and Rubiales Mines and at the Ardlethan and Cleveland Mines in Australia.

Ore reserves as at December 31, 1980 at mines of Cominco and at mines of associated companies, which are currently in production or being prepared for production, were estimated as follows:

Cominco	**Measured and Indicated Ore(1)(2) (thousands of tons)**	**%Pb**	**%Zn**	**Ag Ozs./Ton**
Zinc-Lead				
Sullivan (100% owned)	53,000	4.5	6.0	1.1
Pine Point (69% owned)	41,000	1.9	5.3	—
Magmont (50% owned)	5,700	8.1	1.1	.3
Magmont West (50% owned) (2)	1,700	5.0	2.3	.3
Black Angel (63% owned)	3,500	4.4	13.4	1.0
Polaris (100% owned) (2) (3)	25,400	4.3	14.1	—
Gold		**Au Ozs./Ton**		
Con and Rycon (100% and 76% owned)	2,200	.49		
Phosphate Rock		**$\%P_2O_5$**		
Warm Springs (100% owned)	7,500	30.0		
Potash		**$\%K_2O$**		
Vade (100% owned)	102,000	26.3		
Copper		**%Cu**		
Jersey (93% owned)	53,300	.42		
Associated companies		**%Pb**	**%Zn**	**Ag Ozs./Ton**
Zinc-Lead				
Rubiales (47% owned)	14,200	1.3	7.3	0.4
Que River (43% owned) (2)	6,900	5.2	9.6	3.5
Tin-Tungsten		**%Sn WO_3**		
Aberfoyle, Ardlethan and Cleveland (47% owned)	3,700	.6		
Coal (Clean coal equivalent)				
Fording (40% owned)	62,000			

(1) Ore reserve figures are the total reserves at the mines and are not limited to Cominco's interest.

(2) Ore reserves at Magmont West, Polaris and Que River include inferred ore.

(3) Bankeno Mines Limited has an option to purchase a 25% interest in the net proceeds of production from the Polaris Mine for $7.5 million.

(4) Corporation personnel have estimated all reserves except copper and coal, which have been estimated by the companies which own the reserves.

Exploration efforts by Cominco and its associated companies have defined a number of other potentially significant mineral deposits. These include the Lake Zone porphyry copper deposit (see "Other Business Activities and Investments"), the La Troya zinc-lead deposit in Spain, the Fording thermal coal deposits in Alberta and Saskatchewan, and the Douglas Creek phosphate deposit in Montana. Reserves and average grades of these deposits are estimated to be as follows:

	Mineral	Tons (1)	Grade
		(thousands)	
Lake Zone (92% owned)	Copper	800,000	0.475% Cu
La Troya (47% owned)	Zinc-Lead	5,500	11.9% Zn-Pb
Fording (40% owned)	Coal	1,900,000	Thermal
Douglas Creek (100% owned)	Phosphate Concentrate equivalent	12,000	31% P_2O_5

(1) Mineral reserve figures are the total reserves and are not limited to Cominco's interest.

(2) Corporation personnel have estimated all reserves other than coal, which has been estimated by personnel of Fording Coal Limited.

Capital Expenditures

The capital expenditures of Cominco for the five years ended December 31, 1980 were as follows:

1980	1979	1978	1977	1976
		(millions)		
$ 280	$ 150	$ 87	$ 81	$ 140

Major projects of Cominco included in these expenditures were completion of the Carseland fertilizer plant, modernization of the Trail metallurgical plants, mechanization of the Sullivan Mine, completion of a new shaft at the Con Mine, development of the Polaris Mine and construction of the urea plant at Borger.

Capital expenditures of Cominco are expected to be approximately $300 million in each of 1981 and 1982. Included in these expenditures for 1981 and 1982 are amounts for modernization of the Trail metallurgical plants and the Sullivan Mine, development of the Polaris Mine, development of the Magmont West Mine, expansion of production capacity at the Vade Mine and installation of a continuous bar rolling mill at the Vancouver steel plant. These estimated capital expenditures do not include amounts for development of the Lake Zone deposit in the Highland Valley as no production decision has been made.

Capital expenditures by associated companies during the five years ended December 31, 1980 were approximately $210 million and included amounts for plant additions at the Fording Mine and for development of the Rubiales Mine and the Que River Mine. Capital expenditures by associated companies in 1981 and 1982 will include amounts to complete development of the Que River Mine and increase annual production of the Fording Mine from 3 million to 5 million tons of clean coking coal.

Employee Relations

Approximately 12,300 people are employed by Cominco, of whom approximately 65% are represented by industrial unions. There are 21 collective agreements of which 14 expire in 1981. The agreement with employees of the Con Mine expired in 1980 and a new agreement has not yet been concluded. Collective agreements for most other major mines and production facilities of Cominco in Canada expire on April 30, 1981.

Environmental Protection

Cominco's operating objectives include improvement in working conditions at its mines and plants and protection of the environment in surrounding areas. It cooperates with the environmental authorities in each local jurisdiction and endeavours to meet existing environmental standards and to provide for those which can be anticipated.

Associated Companies

Cominco has significant interests in a number of associated companies which are accounted for on an equity basis:

Aberfoyle Limited (47% owned) is an Australian producer of tin and tungsten and owns and operates the Aberfoyle and Cleveland Mines in Tasmania and the Ardlethan Mine in New South Wales. Its Que River zinc-lead-silver mine in Tasmania is scheduled to come into production in 1981.

The Canada Metal Company Limited (50% owned) is a major Canadian producer of secondary lead and a manufacturer of other non-ferrous metal products.

Exploración Minera Internacional España S.A. (47% owned) operates a zinc-lead mine and concentrator at Rubiales in northwest Spain.

Fording Coal Limited (40% owned) is a producer of clean coking coal with operations at Elkford in southeastern British Columbia. Almost all the production is sold to Japanese steel interests.

Cominco's share of earnings of all associated companies for the 5 years ended December 31, 1980 was as follows:

	Cominco's Share of Earnings				
	1980	1979	1978	1977	1976
			(millions)		
Aberfoyle Limited (1)	$ 4.1	$ 3.2	$ 1.5	—	—
The Canada Metal Company Limited	0.2	2.3	1.6	1.6	1.3
Exploración Minera Internacional España S.A.	3.6	(0.9)	(3.3)	—	—
Fording Coal Limited	5.7	5.7	7.8	4.4	3.6
Others (2)	0.3	0.4	1.9	1.7	1.1
	$13.9	$10.7	$ 9.5	$ 7.7	$ 6.0

(1) Aberfoyle Limited was consolidated with Cominco until 1978 when it ceased to be a subsidiary.

(2) The principal associated companies in this category are Mitsubishi Cominco Smelting Company Limited of Japan and Cominco Binani Zinc Limited of India.

Consolidated Capitalization

	Maximum or Authorized	Outstanding December 31, 1980	Outstanding February 28, 1981	Outstanding February 28, 1981 After Exercise of Rights
Long Term Debt:		(dollars in thousands)		
COMINCO LTD.:				
8½% Sinking Fund Debentures, due April 15, 1991	$ 65,000	$54,183	$53,809	$53,809
10⅞% Sinking Fund Debentures, due February 15, 1995	60,000	52,394	52,149	52,149
10% Serial Notes, due 1982 to 1996	50,000 US	49,224	49,224	49,224
Bank loans				
due 1982 to 1983 (2)	25,000	13,000	13,000	13,000
due 1983 to 1994 (3)	140,000	51,000	51,000	51,000
due 1982 (4)	150,000	61,013	134,761	134,761
Export-Import Bank of the United States 8% loan, due 1982 to 1985	12,200 US	5,315	5,315	5,315
COMINCO AMERICAN INCORPORATED:				
7% Mortgage notes, due 1982 to 1985	20,000 US	4,364	4,364	4,364
WEST KOOTENAY POWER AND LIGHT COMPANY, LIMITED:				
5¾% First Mortgage Bonds, due February 1, 1985	10,000	5,954	5,954	5,954
Bank loan, due 1982 (2)	36,000	32,200	32,200	32,200
SUNDRY INDEBTEDNESS:	—	367	367	367
Minority Interests in Subsidiary Companies (5):				
Preferred Shares	—	351	351	351
Common shares and reinvested earnings	—	90,042	90,042	90,042
Share Capital (6):				
Preferred Shares, issuable in series	No maximum			
Series A Preferred Shares	2,000,000 shs. ($50,000)	1,938,884 shs. ($48,473)	1,925,484 shs. ($48,137)	1,925,484 shs. ($48,137)
Series B Preferred Shares	2,000,000 shs.	—	—	—
Series C Preferred Shares	2,000,000 shs. ($50,000)	2,000,000 shs. ($50,000)	2,000,000 shs. ($50,000)	2,000,000 shs. ($50,000)
Common Shares	No maximum	17,084,453 shs. ($36,293)	17,085,953 shs. ($36,342)	18,795,018 shs. ($135,468)

NOTES:

(1) The above table sets out the capitalization of the Corporation and its subsidiaries, excluding the portion of long-term debt due before December 31, 1981, but the capitalization of associated companies is not included. Reference is made to "Principles of Consolidation" in the "Summary of Significant Accounting Policies" referred to in Note 1 "Accounting Policies" in "Notes to Consolidated Financial Statements".

United States funds have been translated into Canadian funds on the basis of the exchange rates prevailing at the time the indebtedness was incurred. Reference is made to "Foreign Currency Translation" in the "Summary of Significant Accounting Policies" referred to in Note 1 "Accounting Policies" and to Note 5 "Long-term Debt" in "Notes to Consolidated Financial Statements".

(2) An unsecured loan bearing interest related to Canadian prime bank rate.

(3) Unsecured term loans to finance the Polaris Project repayable in twelve annual instalments. Interest on the loans is related to Canadian and United States prime bank rates and London interbank offered rates.

(4) Unsecured loans to finance the purchase of shares of Bethlehem. The loans are convertible at the option of the Corporation into term loans on January 31, 1982, payable over ten years with interest related to Canadian and United States prime bank rates and London interbank offered rates.

(5) As at December 31, 1980 in each case.

(6) The Corporation was continued under the Canada Business Corporations Act on May 1, 1980. The share capital of the Corporation consists of an unlimited number of Preferred Shares and an unlimited number of Common Shares. Of the Preferred Shares 2,000,000 have been designated as "$2.00 Tax Deferred Exchangeable Preferred Shares Series A", 2,000,000 have been designated as "$2.4375 Preferred Shares Series B" and 2,000,000 have been designated as "Floating Rate Preferred Shares Series C". Series A Preferred Shares are exchangeable for Series B Preferred Shares after June 1, 1988 on the basis of one Series B Preferred Share for each Series A Preferred Share.

(7) Of the 2,000,000 Series A Preferred Shares originally issued, a total of 61,116 shares had been purchased by the Corporation for cancellation as at December 31, 1980, and 74,516 shares have been so purchased as at February 28, 1981.

(8) Under the Stock Option Plan for the benefit of certain executives in the full-time employment of the Corporation or a subsidiary, to December 31, 1980 options (exercisable within five years of issue) had been granted for 165,400 shares at 90% of market price on the day of granting of the options. On December 31, 1980 options on 46,725 shares remained unexercised.

(9) As at December 31, 1980 the retained earnings of the Corporation were $631,507,000.

Directors and Principal Officers

Directors

The Corporation's directors, their municipalities of residence and their principal occupations are as follows:

Myles Norman Anderson Vancouver, British Columbia	Chairman and Chief Executive Officer, Cominco Ltd.
William John Bennett Montreal, Quebec	Consultant, Iron Ore Company of Canada.
Harold Clark Bentall Vancouver, British Columbia	Chairman of the Board, The Dominion Construction Co. Ltd.
Frederick Stewart Burbidge St. Lambert, Quebec	President, Canadian Pacific Limited.
Frederick Ewart Burnet Spokane, Washington	Corporate Director.
Robert W. Campbell Calgary, Alberta	Chairman and Chief Executive Officer, PanCanadian Petroleum Limited.
Harold Thomas Fargey Don Mills, Ontario	Executive Vice-President at Toronto, Cominco Ltd.
Rolf Hougen Whitehorse, Yukon	President, Hougen's Limited.
Ross Anderson MacKimmie, Q.C Calgary, Alberta	Partner in the law firm of MacKimmie Matthews.
Paul Aime Nepveu Montreal, Quebec	Vice-Chairman, Canadian Pacific Enterprises Limited.
Stanley Elkin Nixon Montreal, Quebec	Corporate Director.
Ian David Sinclair, Q.C Montreal, Quebec	Chairman and Chief Executive Officer, Canadian Pacific Limited and Canadian Pacific Enterprises Limited.
Walter John Stenason Beaconsfield, Quebec	President, Canadian Pacific Enterprises Limited.
William George Wilson West Vancouver, British Columbia	President, Cominco Ltd.

Principal Officers

The Corporation's principal officers, their municipalities of residence and offices are as follows:

Myles Norman Anderson Vancouver, British Columbia	Chairman and Chief Executive Officer.
William George Wilson West Vancouver, British Columbia	President.
Ian David Sinclair, Q.C. Montreal, Quebec	Vice-President.
Harold Thomas Fargey Don Mills, Ontario	Executive Vice-President at Toronto.
Roderick Peter Douglas Delta, British Columbia	Senior Vice-President, Operations.
John Giovanetto North Vancouver, British Columbia	Vice-President, Employee Relations.

ALBERT VIRGINIO MARCOLIN Trail, British Columbia	Group Vice-President at Trail.
PETER ARTHUR MANSON Vancouver, British Columbia	Vice-President, Law and General Counsel.
OWEN ERNEST OWENS Vancouver, British Columbia	Vice-President, Exploration.
WILLIAM JOHN ROBERTSON Calgary, Alberta	Vice-President, Prairie Group.
KEITH HERBERT SPURR Toronto, Ontario	Vice-President, Metal Sales.
ROBERT RYRIE STONE West Vancouver, British Columbia	Vice-President, Finance.
KENNETH SAMUEL BENSON Vancouver, British Columbia	Corporate Secretary.
LLOYD DOUGLAS MARGERM North Vancouver, British Columbia	Treasurer.
ANDREW DONALD MILLER Burnaby, British Columbia	Comptroller.

Each director and officer has been associated in various capacities with the corporation or associated corporations thereof or firms shown opposite his name during the past five years with the exception of F. E. Burnet who, prior to April, 1978, was Chairman and Chief Executive Officer of the Corporation and P. A. Manson who, prior to October, 1976, was a partner in the law firm of Ladner Downs.

Remuneration of Directors and Officers

The following table shows the aggregate remuneration paid or payable by Cominco for the year ended December 31, 1980 to the directors and officers of the Corporation. The table also shows the estimated aggregate cost to Cominco for that year of all pension benefits proposed to be paid, directly or indirectly, to directors and officers of the Corporation under its normal pension plans in the event of retirement at normal retirement age. The Corporation does not provide retirement benefits for directors as such.

	Nature of Remuneration		
	From Office, Employment and Employer Contributions (aggregate)	Cost of Pension Benefits (aggregate)	Other (aggregate)
I DIRECTORS (Total Number: 14)			
(A) From Cominco:	$ 132,961	—	—
(B) From Partially-owned Subsidiaries:			
Pine Point Mines Limited	11,239	—	—
Vestgron Mines Limited	3,166	—	—
Pacific Coast Terminals Limited	2,400	—	—
TOTAL	$ 149,766	$ —	$ —
II FIVE SENIOR OFFICERS:			
(A) From Cominco:	$ 583,475	$ 70,776	—
(B) From Partially-owned Subsidiaries:	—	—	—
TOTAL	$ 583,475	$ 70,776	$ —
III OFFICERS WITH REMUNERATION OVER $50,000 (Total Number: 13)			
(A) From Cominco:	$1,144,857	$140,476	—
(B) From Partially-owned Subsidiaries:	—	—	—
TOTAL	$1,144,857	$140,476	$ —

Principal Holder of Common Shares

At February 28, 1981, CP Enterprises (a subsidiary of Canadian Pacific Limited), owned beneficially, directly or indirectly, approximately 54% of the outstanding Common Shares.

At February 28, 1981, the directors and senior officers of the Corporation, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding Common Shares.

At February 28, 1981, and pursuant to stock option plans, certain executives in the full-time employment of the Corporation or a subsidiary held options to purchase a total of 45,225 Common Shares.

To the knowledge of the Board of Directors of the Corporation there have been no transfers of Common Shares since the last annual meeting of shareholders, held on April 24, 1980, which have materially affected the control of the Corporation.

Price Range and Trading Volume of Common Shares

The Common Shares of the Corporation are listed on the Vancouver, Toronto and Montreal Stock Exchanges. They are also traded on the American Stock Exchange in New York. The following table sets out the reported high and low prices and volumes of trading on The Toronto Stock Exchange as well as the total combined volume of trading of the Common Shares on the three Canadian stock exchanges for the periods indicated:

	The Toronto Stock Exchange			Total Combined
	High	Low	Volume	Volume
1978 First Quarter	$29⅜	$23	457,275	570,921
Second Quarter	29¼	25¾	429,183	523,185
Third Quarter	33	26	563,307	618,575
Fourth Quarter	34¾	30⅝	460,933	555,927
1979 First Quarter	38¼	31⅝	445,773	555,249
Second Quarter	42½	33½	710,510	845,829
Third Quarter	49¾	38⅜	823,005	998,227
Fourth Quarter	55½	41½	503,471	591,982
1980 First Quarter	81	51½	1,039,154	1,265,900
Second Quarter	62	47½	458,205	489,889
Third Quarter	76	57⅛	619,157	697,175
Fourth Quarter	76	67¾	629,102	687,594
1981 January	72	67	187,455	224,614
February	69	65	168,975	199,933

During the period indicated, trading activity on The Toronto Stock Exchange accounted for approximately 85% of all trading volume of the Common Shares of the Corporation on the three Canadian Exchanges. The reported closing sale price for the Common Shares on The Toronto Stock Exchange on March 12, 1981 was $66.50.

Dividend Record

The Corporation has paid dividends on its outstanding shares during the five years ended December 31, 1980 as follows:

	Year ended December 31				
	1980	1979	1978	1977	1976
PREFERRED SHARES					
Series A (1)					
Per Share	$ 2.00	2.00	2.00	2.00	1.08
Total Amount (000's)	$ 3,920	4,000	4,000	4,000	2,160
Series C (2)					
Per Share	$ 2.11	1.71	0.80	—	—
Total Amount (000's)	$ 4,227	3,418	1,594	—	—
COMMON SHARES					
Per Share	$ 4.40	4.75	2.00	2.30	2.00
Total Amount (000's)	$75,162	80,905	33,993	39,090	33,977

(1) Series A Preferred Shares issued May 18, 1976.

(2) Series C Preferred Shares issued March 6, 1978.

Auditors, Transfer Agents and Registrars

The auditors of the Corporation are Thorne Riddell, Chartered Accountants, Suite 2400, Board of Trade Tower, 1177 West Hastings Street, Vancouver, British Columbia.

The transfer agents and registrars for the Common Shares are The Royal Trust Company at its principal offices in the cities of Vancouver, Calgary, Montreal, Toronto, Saint John, and the Bank of Montreal Trust Company at its principal office in New York, N.Y.

By Order of the Board,

Chairman and Chief Executive Officer

COMINCO LTD.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounts of Cominco Ltd. (the Company) are prepared using generally accepted accounting principles in Canada applied on a consistent basis. To facilitate review of the consolidated statements, the significant accounting policies followed by the Company and its subsidiaries are summarized below.

Principles of Consolidation

The accounts of the Company and its subsidiaries are consolidated in the financial statements. The differences between the cost of the investments and the underlying book values of the assets at the dates of acquisition have been allocated to fixed assets on consolidation and are being amortized accordingly. Intercompany items and transactions between consolidated companies are eliminated.

Investments in associated companies (those companies in which the Company owns 50% or less of the shares and over which it has significant influence) are accounted for by the equity method. Under this method the Company includes in its earnings its share of the earnings or losses of associated companies. In measuring the Company's share of earnings or losses, amortization of differences between the cost of the investments and underlying book values are taken into account.

Foreign Currency Translation

The accounts of foreign subsidiaries are translated into Canadian dollars. Accounts included in the consolidated statement of earnings, except product inventories, depreciation and depletion, are translated at the weighted average rates of exchange prevailing during the year. Product inventories, depreciation and depletion are translated at the rates in effect when the related expenditures are made. Accounts included in the consolidated balance sheet are translated at rates of exchange in effect at the end of the year, except that: a) inventories, investments, fixed assets and accumulated depreciation and depletion are at rates at dates of acquisition; b) deferred income taxes and retained earnings are at rates at date of origin; and c) debts not maturing within one year and share capital are at rates at dates of issue. The resulting translation adjustments are included in the determination of consolidated earnings.

Inventories

Finished goods, raw materials and partially processed materials are valued generally at the lower of cost (determined on the monthly average method) and net realizable value. Cost of certain inventories in the United States is determined on a last-in, first-out basis. Stores and operating supplies are valued at average cost less appropriate allowances for obsolescence.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost and include the cost of renewals and betterments. When assets are sold or abandoned, the recorded costs and related accumulated depreciation are removed from the accounts and any gains or losses are included in earnings. Repairs and maintenance are charged against earnings as incurred.

Depreciation is calculated on the straight-line method using rates based on the estimated service lives of the respective assets. In some integrated mining and manufacturing operations, assets are pooled and depreciated at composite rates. Depreciation is not provided on major additions until commencment of commercial production.

Mineral Properties and Development

Expenditures on general mineral exploration are charged against earnings as incurred. Expenditures to investigate identified properties and to develop new mines are capitalized as mineral properties and development. Due to the uncertainty of the final outcome, expenditures on investigation together with the cost of certain investments in mineral companies are amortized against earnings by charges for depletion. Abandoned properties are charged against earnings in the year of abandonment. Depletion on operating mines is provided on a units-of-production or on a time basis related to the mineral reserves position.

Taxes on Income

Income tax laws in Canada and in some other countries permit the deduction of depreciation and other items from income to determine taxable income at times which do not coincide with those used for financial reporting purposes. These differences in timing of deductions result in taxes being provided which are not currently payable.

Tax savings from investment tax credits are reflected in earnings as they are realized.

Withholding taxes, where applicable, on earnings of foreign operations are provided in the accounts to the extent of dividends anticipated in the future.

Research and Product Development

Research and product development costs are charged against earnings as incurred.

Interest

Generally, interest expense is charged against earnings. Interest on specific borrowings for major expenditures for fixed assets is capitalized during the construction period.

Earnings per Share

Earnings per common share are calculated by dividing net earnings less preferred dividends paid and accrued, by the average number of shares outstanding during the year.

AUDITORS' REPORT

To the Directors of
Cominco Ltd.

We have examined the consolidated balance sheets of Cominco Ltd. as at December 31, 1980 and 1979 and the consolidated statements of earnings, earnings reinvested in the business and changes in financial position for the five years ended December 31, 1980. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1980 and 1979 and the results of its operations and the changes in its financial position for the five years ended December 31, 1980 in accordance with generally accepted accounting principles applied on a consistent basis.

Vancouver, Canada
February 6, 1981
(March 13, 1981 as to
Note 14 (b))

(Signed) Thorne Riddell
Chartered Accountants

COMINCO LTD.

CONSOLIDATED STATEMENT OF EARNINGS
(thousands of dollars, except per share data)

	YEAR ENDED DECEMBER 31				
	1980	1979	1978	1977	1976
REVENUE					
Sales of products and services	$1,442,698	$1,273,903	$901,177	$759,242	$675,345
Income from investments	13,425	17,858	7,062	6,039	6,801
	1,456,123	1,291,761	908,239	765,281	682,146
COSTS AND EXPENSES					
Cost of products and services	877,439	676,606	559,739	459,543	411,464
Distribution expense	110,385	101,135	97,382	67,001	64,600
Selling expense	28,323	22,703	21,180	17,925	14,586
General and administrative	39,548	33,586	30,547	26,226	24,426
General mineral exploration	13,166	10,489	6,903	10,323	7,649
Long-term debt interest and expense	24,866	24,950	25,534	24,964	23,558
Depreciation, depletion and amortization	73,836	72,520	64,659	59,174	48,256
	1,167,563	941,989	805,944	665,156	594,539
EARNINGS BEFORE THE FOLLOWING	288,560	349,772	102,295	100,125	87,607
Taxes on income including resource taxes					
Current	69,434	103,816	35,571	32,629	29,646
Not currently payable	48,118	29,269	8,406	12,873	6,060
	117,552	133,085	43,977	45,502	35,706
	171,008	216,687	58,318	54,623	51,901
Minority interest in net earnings of subsidiary companies	14,097	23,088	6,072	5,906	9,460
	156,911	193,599	52,246	48,717	42,441
Equity in net earnings of associated companies	13,905	10,670	9,470	7,724	5,971
Gain (loss) on translation of accounts of foreign subsidiaries	(1,554)	(618)	3,496	7,007	855
EARNINGS BEFORE EXTRAORDINARY ITEMS	169,262	203,651	65,212	63,448	49,267
Extraordinary item (Note 8)	—	—	2,159	—	—
NET EARNINGS	$ 169,262	$ 203,651	$ 67,371	$ 63,448	$ 49,267
EARNINGS PER COMMON SHARE					
Before extraordinary item	$ 9.44	$ 11.52	$ 3.46	$ 3.50	$ 2.75
Net earnings	$ 9.44	$ 11.52	$ 3.59	$ 3.50	$ 2.75

CONSOLIDATED STATEMENT OF EARNINGS REINVESTED IN THE BUSINESS
(thousands of dollars)

	YEAR ENDED DECEMBER 31				
	1980	1979	1978	1977	1976
AMOUNT AT BEGINNING OF YEAR	$545,554	$430,226	$402,714	$382,356	$371,011
Net earnings	169,262	203,651	67,371	63,448	49,267
	714,816	633,877	470,085	445,804	420,278
Deduct					
Costs incurred on issue of preferred shares	—	—	272	—	1,785
Dividends paid					
— preferred - Series A	3,920	4,000	4,000	4,000	2,160
- Series C	4,227	3,418	1,594	—	—
— common	75,162	80,905	33,993	39,090	33,977
	83,309	88,323	39,859	43,090	37,922
AMOUNT AT END OF YEAR	$631,507	$545,554	$430,226	$402,714	$382,356

COMINCO LTD.

CONSOLIDATED BALANCE SHEET
(thousands of dollars)

ASSETS

	AS AT DECEMBER 31	
	1980	1979
CURRENT ASSETS		
Cash and short-term investments	$ 79,252	$ 92,706
Accounts receivable	242,492	188,967
Inventories (Note 2)	278,311	274,055
Prepaid expenses	3,771	3,982
	603,826	559,710
INVESTMENTS (Note 3)		
Associated companies	81,451	73,701
Other companies	36,653	78,302
	118,104	152,003
FIXED ASSETS		
Land, buildings and equipment	1,170,993	889,216
Less accumulated depreciation	428,441	354,869
	742,552	534,347
Mineral properties and development	236,760	196,339
Less accumulated depletion	69,382	85,217
	167,378	111,122
	909,930	645,469
OTHER ASSETS (Note 4)	11,491	13,999
	$1,643,351	$1,371,181

LIABILITIES AND SHAREHOLDERS' EQUITY

	1980	1979
CURRENT LIABILITIES		
Bank loans	$ 81,703	$ 34,073
Accounts payable and accrued liabilities	163,639	160,617
Income and resource taxes payable	36,504	86,642
Long-term debt due within one year	7,445	8,748
	289,291	290,080
LONG-TERM DEBT (Note 5)	329,014	226,000
INCOME TAXES PROVIDED BUT NOT CURRENTLY PAYABLE	168,380	119,618
MINORITY INTERESTS	90,393	54,795
SHAREHOLDERS' EQUITY		
Capital (Note 6)	134,766	135,134
Earnings reinvested in the business	631,507	545,554
	766,273	680,688
COMMITMENTS AND CONTINGENT LIABILITIES (Note 9)		
	$1,643,351	$1,371,181

Signed on behalf of the Board:

(Signed) M. N. ANDERSON, Director

(Signed) W. G. WILSON, Director

COMINCO LTD.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
(thousands of dollars)

	YEAR ENDED DECEMBER 31				
	1980	1979	1978	1977	1976
SOURCE OF FUNDS					
Funds provided from operations	$304,122	$323,875	$142,154	$136,844	$110,291
Proceeds from disposal of land, buildings, equipment and investments	5,931	4,201	4,951	1,412	3,141
Additional long-term debt	117,813	4,200	4,250	9,672	59,823
Proceeds from issue of share capital					
— preferred	—	—	50,000	—	50,000
— common	1,088	1,432	60	135	294
Proceeds from settlement of Potash flood claim	—	—	7,800	—	—
Repayment of advances to an associated company	—	—	5,600	—	—
Working capital added on consolidation of Bethlehem Copper Corporation on November 1, 1980	79,682	—	—	—	—
	$508,636	$333,708	$214,815	$148,063	$223,549
APPLICATION OF FUNDS					
Land, buildings and equipment	$240,598	$114,777	$ 66,636	$ 59,840	$119,677
Mineral properties and development	39,654	35,371	20,801	21,009	20,094
Purchase of shares of Bethlehem Copper Corporation (Note 7)	61,013	—	3	35,485	4,555
Investment in associated companies	814	1,112	10,265	—	—
Investment in other companies	1,225	295	769	2,355	3,248
Repayment on long-term debt	15,166	13,094	18,839	13,693	18,543
Preferred shares purchased for cancellation	1,456	71	—	—	—
Dividends — to common shareholders	75,162	80,905	33,993	39,090	33,977
— to preferred shareholders	8,147	7,418	5,594	4,000	2,160
— to minority shareholders of subsidiary companies	17,293	10,577	2,661	4,129	8,674
Loan to Bankeno Mines Limited	—	3,000	—	—	—
Working capital of former subsidiaries removed from the consolidation (Note 10)	—	1,542	6,967	—	—
Other	3,203	3,987	3,570	11,186	7,856
	463,731	272,149	170,098	190,787	218,784
CHANGE IN WORKING CAPITAL	44,905	61,559	44,717	(42,724)	4,765
	$508,636	$333,708	$214,815	$148,063	$223,549

COMINCO LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Accounting Policies

The significant accounting policies followed by the Company and its subsidiary companies are summarized under the caption "Summary of Significant Accounting Policies".

2. Inventories

	1980	1979
	(thousands)	
Finished goods	$123,711	$112,292
Raw materials and partially processed materials	93,327	112,030
Stores and operating supplies	61,273	49,733
	$278,311	$274,055

3. Investments

	1980	1979
	(thousands)	
Associated companies:		
Shares at cost	$52,381	$53,055
Equity in undistributed earnings	29,070	20,646
	$81,451	$73,701
Other companies:		
Shares at cost		
Panarctic Oils Ltd. (8.0% owned)	$18,391	$18,391
Tara Exploration and Development Company Limited (17.4% owned)	26,903	26,903
Bethlehem Copper Corporation (1980 - Consolidated, being a subsidiary - Note 7; 1979 - 39.2% owned)	—	41,313
Other companies	6,610	4,903
Other	433	464
	52,337	91,974
Less accumulated depletion of mineral investments	15,684	13,672
	$36,653	$78,302

4. Other Assets

	1980	1979
	(thousands)	
Debt financing costs, less amounts amortized	$ 2,226	$ 2,682
Loan to Bankeno Mines Limited	3,000	3,000
Other	6,265	5,167
Mortgage receivable on sale of land, due 1981	—	3,150
	$11,491	$13,999

5. Long-Term Debt (excluding amounts due within one year)

	1980	1979
	(thousands)	
Cominco Ltd.		
10% Serial Notes due 1982 to 1996, U.S. $50,000,000	$ 49,224	$ 49,224
8½% Sinking Fund debentures due 1991	54,183	56,876
10⅞% Sinking Fund debentures due 1995	52,394	57,610
Bank loan due 1982 and 1983 with interest related to the Canadian prime bank rate	13,000	17,000
Export-Import Bank of the United States 8% loan due 1982 to 1985, U.S. $5,337,000	5,315	6,834
Bank loan due 1983 to 1994 with interest related to prime bank rates (financing of Polaris Project)	51,000	—
Bank loan due 1982, convertible at option of the Company to become repayable over ten years with interest related to prime bank rates (financing of Bethlehem Copper Corporation share purchase)	61,013	—
West Kootenay Power and Light Company, Limited		
5¾% First Mortgage bonds due 1985	5,954	6,248
Bank loan due 1982 bearing interest at ¼% above Canadian prime bank rate	32,200	26,400
Cominco American Incorporated		
7% Notes due 1982 to 1985 U.S. $4,041,000	4,364	5,800
Other Companies	367	8
	$329,014	$226,000

Payments required on long-term debt, assuming the conversion of the bank loan due 1982 into a ten-year term loan, are: 1981—$7,445,000; 1982—$42,676,000; 1983—$27,651,000; 1984—$21,326,000; 1985—$24,184,000.

If translated into Canadian dollars at year-end rates of exchange, long-term debt would increase by $12,035,000 in 1980 and $10,699,000 in 1979. This is not necessarily indicative of the amounts which will be repaid when the obligations are retired.

6. Capital

A Certificate of Continuance was obtained on May 1, 1980, continuing the Company under the Canada Business Corporations Act, and authorizing the Company to issue an unlimited number of Preferred and Common Shares.

	1980	1979
	(thousands)	
a) Issued and fully paid:		
Preferred —		
1,938,884 shares (1979 - 1,997,150) - $2.00 Tax Deferred Exchangeable Preferred Shares Series A (Note 6(d))	$ 48,473	$ 49,929
2,000,000 shares - Floating Rate Preferred Shares Series C	50,000	50,000
	98,473	99,929
Common -		
17,084,453 shares (1979 - 17,050,003) (Note 6(c))	36,293	35,205
	$134,766	$135,134

b) Preferred Shares:

The Company has constituted the following Preferred Shares:

2,000,000 shares as "$2.00 Tax Deferred Exchangeable Preferred Shares Series A"

2,000,000 shares as "$2.4375 Preferred Shares Series B"

2,000,000 shares as "Floating Rate Preferred Shares Series C"

Each Series A Preferred Share is entitled to a fixed cumulative cash dividend of $2.00 per annum payable semi-annually. The Series A Preferred Shares are exchangeable into Series B Preferred Shares after June 1, 1988. Each Series C Preferred Share is entitled to a cumulative cash dividend which is related to the prime rate of interest charged by certain Canadian banks, adjusted quarterly and payable semi-annually. The holders of the Series C Preferred Shares may call for retraction on March 31, 1988.

c) Shares issued during the year for cash:

34,450 Common Shares (Note 6(e)) $1,088,000

d) Shares purchased for cancellation:

During 1980, the Company purchased for cancellation 58,266 Series A Preferred Shares with an issued value of $1,456,000 for $1,397,000 cash.

e) The Company has reserved 200,000 Common Shares for stock option plans in favour of certain executives in the full-time employment of the Company or a subsidiary. To December 31, 1980, options (exercisable within five years of issue) have been granted for 165,400 shares at 90% of the market price on the day of granting the options.

Outstanding options are as follows:

Granted	Price	Outstanding December 31, 1980	Exercised in 1980
1975	27.45	nil	1,500
1976	34.99	3,700	9,000
1977	32.63	3,525	9,100
1978	24.41	1,500	5,700
1979	32.40	16,250	9,150
1980	52.31	21,750	nil
		46,725	34,450

7. Bethlehem Copper Corporation

On October 31, 1980, 1,627,000 common shares of Bethlehem Copper Corporation (Bethlehem) were purchased for $61,013,000 ($37.50 a share), bringing holdings from 39.2% to 64.4%. The assets and liabilities of Bethlehem were brought into the consolidation at the date of this acquisition on a purchase basis with the following effect on the Company's consolidated financial position:

Changes in:	
Working capital	$ 79,682
Investments	482
Land, buildings and equipment	21,421
Mineral properties and development	46,083
Long-term liabilities	(4,454)
Deferred income taxes	(3,435)
Minority interests	(37,453)
	$102,326

Representing:	
Investment in Bethlehem at start of year	$ 41,313
Purchase October 31, 1980, financed by bank loan	61,013
	$102,326

See Note 14 regarding a further acquisition of shares in Bethlehem in 1981.

8. Extraordinary Item

During 1978 a subsidiary company, Pacific Coast Terminals Co. Ltd., sold its New Westminster, British Columbia, terminal site for $4,750,000. The Company's share of the net profit resulting from the sale is included as an extraordinary item.

9. Commitments and Contingent Liabilities

a) The Company and its subsidiaries have pension plans covering substantially all employees. Pension costs for current service are charged to earnings in the year incurred. The liability for past service is being funded and charged to earnings over varying periods up to 15 years. The date of the most recent actuarial evaluation for most pension plans is December 31, 1979. At December 31, 1980, actuarial estimates of the unfunded liability for past service amount to $73,000,000 of which $60,000,000 remains to be charged to earnings, $13,000,000 having been charged to earnings by provisions in prior years. The vested portion of the unfunded liability for past service is $58,000,000.

Total pension expense including past service costs was $21,073,000 for 1980, $26,411,000 for 1979, $16,156,000 for 1978, $13,427,000 for 1977 and $13,566,000 for 1976.

b) At December 31, 1980, guarantees and commitments were as follows:

Guarantees—$37,900,000 of which $26,200,000 was for bank loans of an associated company.

Unexpended amounts remaining on approved major capital projects—$303,000,000.

10. Working Capital of Former Subsidiaries

a) In 1979 the Company sold its interest in a subsidiary company, Coast Copper Company Limited.

b) In 1978 Aberfoyle Limited, a subsidiary of the Company in Australia, issued shares to acquire the minority interests in a company which it controlled. This reduced the Company's interest in Aberfoyle Limited to 45% so that it ceased to be a subsidiary. Accordingly, the Australian companies, which were included in the consolidation in 1976 and 1977, were removed from the consolidation in 1978.

11. Related Party Transactions

"Related parties" consist of the Company's associated companies and Canadian Pacific Limited and its subsidiary and associated corporations.

Sales to related parties, all at fair market price, amounted to $51,600,000 in 1980. The Company provides management services at cost to certain associated companies.

The Company has a revolving line of credit with Canadian Pacific Securities Limited in the amount of $30 million which provides for loans of up to one year at interest rates related to prime bank rates and commercial paper rates..

The Company makes extensive use of both major Canadian railroads, one of which is a division of Canadian Pacific Limited (C.P. Rail), for the transportation of its raw materials and finished products. Freight charges from C.P. Rail are at published tariff rates. In addition, in the regular conduct of its business, the Company makes use of other services, facilities and products of the Canadian Pacific organization. These transactions are at rates and terms similar to those for unrelated customers.

12. Restatement of Prior Years' Figures

Consolidated earnings for the reported periods have been restated where necessary to include adjustments to earnings which were originally included in the statement of Retained Earnings as adjustments in respect of prior periods. The statement of Changes in Financial Position has been restated accordingly.

13. Segmented Information

Segmented information is shown below.

a) The Company operates in three industry segments:

Mining and Integrated Metals — Principally the mining, processing, smelting, and refining of lead, zinc, silver, and gold into concentrates and refined metal.

Fertilizers and Chemicals — Principally the production of potash, ammonia, urea, phosphates, nitrates and sulphuric acid.

Other Operations — Principally metal products and electric power distribution.

b) Sales to other segments are accounted for at prices which approximate market.

c) Investment income and certain corporate expenditures and assets relating to the overall direction and management of the Company's activities are not allocated to industry segments.

d) Canadian export sales amounted to $660 million in 1980, $558 million in 1979 and $405 million in 1978.

SEGMENTED INFORMATION

(millions of dollars)

YEAR ENDED DECEMBER 31

BY INDUSTRY SEGMENT	Mining and Integrated Metals			Fertilizers and Chemicals			Other Operations			Consolidated		
	1980	1979	1978	1980	1979	1978	1980	1979	1978	1980	1979	1978
REVENUE												
Sales to external customers	$850	$789	$515	$390	$317	$271	$203	$168	$115	$1,443	$1,274	$ 901
Sales to other segments	33	32	31	3	—	—	1	2	1			
	$883	$821	$546	$393	$317	$271	$204	$170	$116			
EARNINGS												
Operating profit before unallocated items, below	$210	$312	$102	$ 90	$ 50	$ 31	$ 25	$ 18	$ 6	$325	$380	$139
General mineral exploration										(13)	(10)	(7)
Interest on long-term debt										(25)	(25)	(26)
Corporate (net)										1	5	(4)
Income and resource taxes										(117)	(133)	(44)
Earnings before minority interest, gain on translation and equity in earnings of associates										$171	$217	$ 58
IDENTIFIABLE ASSETS												
Segment assets												
—Operating	$685	$532	$347	$360	$319	$313	$181	$157	$130	$1,226	$1,008	$ 790
—Undeveloped properties and construction in progress	257	134	105	2	14	1	10	4	6	269	152	112
	$942	$666	$452	$362	$333	$314	$191	$161	$136	1,495	1,160	902
Corporate assets										30	59	64
Investment in associated and other companies										118	152	147
TOTAL ASSETS										$1,643	$1,371	$1,113
DEPRECIATION, DEPLETION and AMORTIZATION	$ 44	$ 40	$ 34	$ 20	$ 24	$ 23	$ 10	$ 9	$ 8	$ 74	$ 73	$ 65
CAPITAL EXPENDITURES	$237	$116	$ 67	$ 18	$ 19	$ 6	$ 25	$ 15	$ 14	$ 280	$ 150	$ 87

BY GEOGRAPHIC REGION	Canada			United States			Other Countries			Consolidated		
	1980	1979	1978	1980	1979	1978	1980	1979	1978	1980	1979	1978
REVENUE												
Sales to external customers	$1,019	$869	$613	$341	$300	$239	$ 83	$105	$ 49	$1,443	$1,274	$ 901
Sales to other regions	103	93	82	20	6	8	—	—	—			
	$1,122	$962	$695	$361	$306	$247	$ 83	$105	$ 49			
EARNINGS												
Operating profit before unallocated items	$ 256	$301	$ 99	$ 46	$ 44	$ 33	$ 23	$ 35	$ 7	$ 325	$ 380	$ 139
IDENTIFIABLE ASSETS												
Regional assets												
—Operating	$ 971	$775	$588	$134	$105	$ 99	$121	$128	$103	$1,226	$1,008	$ 790
—Undeveloped properties and construction in progress	240	119	95	22	33	16	7	—	1	269	152	112
	$1,211	$894	$683	$156	$138	$115	$128	$128	$104	$1,495	$1,160	$ 902
DEPRECIATION, DEPLETION and AMORTIZATION	$ 50	$ 51	$ 48	$ 16	$ 14	$ 10	$ 8	$ 8	$ 7	$ 74	$ 73	$ 65
CAPITAL EXPENDITURES	$ 248	$114	$ 71	$ 25	$ 32	$ 12	$ 7	$ 4	$ 4	$ 280	$ 150	$ 87

14. Subsequent Events

a) On February 2, 1981, 1,963,015 shares of Bethlehem Copper Corporation were purchased for $73,913,000 ($37.50 per share) bringing holdings to 93.3%. This acquisition has been financed under the same loan arrangements as for the acquisition of shares in 1980 (see Note 5).

b) On March 13, 1981 the Company approved an offer of rights to subscribe for 1,709,065 Common Shares to common shareholders of record at the close of business on March 25, 1981 for a subscription price of $58.00 per share on the basis of one additional Common Share for each ten Common Shares held on the record date.

The Company Act of British Columbia requires that financial statements circulated in that province include the name of every subsidiary, the date of the year end of subsidiaries whose financial year does not coincide with that of the Company and particulars of remuneration of directors and senior officers, which has been provided under "Remuneration of Directors and Officers" on page 17. Because this information is not included in the financial statements of the Company, to that extent they do not comply with that Act.